

2018

M.Com. 1st Semester Examination

FINANCIAL SERVICES

PAPER—COM-105

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Unit-I

[Marks : 20]

1. Answer any *two* questions : 2×2
- (a) What do you mean by 'Private Equity'?
 - (b) State the two important functions of Factoring Services.
 - (c) Two securities having similar rating are not identical. They only belong to the similar risk class. Illustrate the statement.
 - (d) State the two important objectives of investment nurturing.

(Turn Over)

2. Answer any *two* questions : 2×4
- (a) State the important factors that influence credit rating.
 - (b) What do you mean by Recourse Factoring ? How does it differ from the Non-Recourse Factoring ?
 - (c) Briefly discuss the role of credit rating in the industrial development of a country.
 - (d) Discuss in brief the different techniques of investment nurturing.
3. Answer any *one* question : 1×8
- (a) State the need for factoring with special reference to India. What are the major points of difference between factoring services and forfeiting services ? 3+5
 - (b) What are the essential areas to be covered by a VCU to design a business plan for Venture Capital ?

Unit-II

[Marks : 20]

4. Answer any *two* questions : 2×2
- (a) What do you mean by secured finance in the context of consumer finance ?
 - (b) State the activities connected with 'issue management and underwriting' of merchant bankers.

- (c) What do you mean by 'leveraged lease' ?
- (d) State the different types of loans provided by the housing finance institutions.

5. Answer any *two* questions : 2×4

- (a) State the SEBI guidelines relating to the bonus issue.
- (b) State the different modes by which consumer finance is extended.
- (c) Distinguish between a financial lease and an operating lease.
- (d) Explain how the loan amount and interest rate are determined by the housing finance institutions.

6. Answer any *one* question : 1×8

- (a) State the codes of conduct that a merchant banker is required to follow.
- (b) ABC Ltd. is in the manufacturing of steels. The firm is planning to diversify and a new product line. The firm either can buy the required machinery or get it on lease. The machine can be purchased for Rs. 15 lacks. It is expected to have a useful life of 5 years with a salvage value Rs. 1 lack after the expiry of 5 years. The purchase of machinery can be financed by 20 per cent loan repayable in 5 equal annual instalments (inclusive of interest) becoming due at the end of each year.

Alternatively, the machine can be taken on year-end lease rentals of Rs. 4.5 lacks for 5 years. Advise the company on the option it should choose on the basis of NPV method. For your exercise, you may assume the following :

- (i) The machine will constitute a separate block for depreciation purposes. The company follows written down value method of depreciation, the rate of depreciation being 20 per cent.
- (ii) Tax rate is 35 per cent and cost of capital is 20 per cent.
- (iii) Lease rentals are to be paid at the end of the year.
- (iv) Maintenance expenses estimated at Rs. 30,000 per year are to be borne by the lessee.
- (v) Assume the firm would have sufficient short-term capital gains in year of sale of machine.

Internal Assessment — 10
