

**2014**

**M B A**

**4th Semester Examination**

**Subject : MANAGEMENT OF FINANCIAL SERVICES**

**(Specialization : Financial Management)**

**PAPER—F-404**

*Full Marks : 100*

*Time : 3 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.*

*Write the answers to Questions of each Half in separate books.*

**( First Half )**

**(Marks : 50)**

1. Answer any four questions : 4×5
- (a) What are the points of difference between an operating lease and capital lease ?
  - (b) Discuss the tax planning aspect in the books of the lessee in the case of a capital lease.

*(Turn Over)*

- (c) Write a short note on the financial instruments through which venture capital investment is made.
- (d) Explain the term 'investment after care' in the context of venture capital financing.
- (e) What do you mean by Financial System ? Give a brief outline of the structure of financial system in India.
- (f) What is the importance of financial system in the economic development of a country ?

2. Answer any two questions : 2×10

- (a) Discuss the different stages of financial in the case of venture capital. 10
- (b) The following information is given with respect to a non-cancellable finance lease agreement entered into between Perfect Ltd., the lessor and Transformers Ltd., the lessee. The lessee takes on lease a plant costing Rs. 500 lacs for a period of six years, the economic life of the machine being eight years. The lease rental is Rs. 15/100 payable in arrears. The applicable depreciation rate is 15% on written down value method. If the incremental borrowing rate is 14% and the marginal tax rate is 30%, you are required to compute the following :
  - (i) Capitalised value of the plant.
  - (ii) The schedule showing the allocation of unexpired finance charge.
  - (iii) The balance sheet in the books of the lessee for the first year. 3+4+3

- (c) (i) Define Financial Instrument. What functions are performed by these instruments?
- (ii) Explain the concept of Financial Market. How can you classify them? What basic roles do the financial markets play? 5+5

**[ Internal Assessment : 10 Marks ]**

**( Second Half )**

(Marks : 50)

3. Answer any *four* questions : 4×5

- (a) Briefly discuss the process of rating a debt instrument by CRISIL.
- (b) What do you mean by Recourse Factoring? How does it differ from the Non-Recourse Factoring?
- (c) Write a short note on 'Portfolio Management' as an important function of a merchant banker.
- (d) What are the objectives of National Housing Bank to promote housing finance in India?
- (e) Briefly explain the role of merchant banker in a public issue of share.
- (f) Briefly discuss the Housing Finance System in India.

4. Answer any *two* questions : 2×10

- (a) What is merchant banking? Discuss in detail the various functions performed by merchant banker.

3+7

(b) (i) Distinguish between Export Factoring and Forfaiting.

(ii) A manufacturing firm has a total sales of Rs. 200 lacks of which 60% is made on credit and its average collection period is 3 months. The past experience indicates that bad-debt losses are around 2% on credit sales. The firm spends Rs. 2,00,000 on administering its sales which include salaries of an officer and two clerical personnel who handle credit checking, collection etc. A factor is prepared to buy the firms receivables by charging 2.5% commission. They also charge 1.5% additional commission for bearing the credit risk. The factor will pay advance to the firm at an interest rate of 15% after withholding 10% as reserve.

You are required to compute the net advance payable to the firm and as a financial consultant you advice which course of action the firm should have taken. 4+6

(c) (i) Discuss the rating methodology followed by ICRA.

(ii) Briefly discuss the different problems faced by the credit rating institutions at the time of rating a particular security. 7+3

**[ Internal Assessment : 10 Marks ]**

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