

M.Com. 3rd Semester Examination, 2011

FINANCIAL SERVICES

PAPER—COM-301

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate 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 of the following : 5×2

- (a) M Co. Ltd. let out a machine costing Rs. 80 lakh to N Co. Ltd. at an annual rent of Rs. 250 per Rs. 1000. The machine has an effective

(*Turn Over*)

working life of 5 years. However, the lease period is non-renewable and fixed for 6 years. Guaranteed residual value is 10% of the cost of the machine. If the incremental borrowing rate is 20% and the marginal rate of corporate tax is 40%, show allocation of unexpired finance charge for each year of lease.

- (b) Describe any one method of scoring of consumer credit.
- (c) Give an account of different sectors for leasing business in India.
- (d) Define 'consumer finance' and explain its nature.

2. Answer any *one* question of the following : 10 × 1

- (a) Describe the functions performed by the depository (in case of overseas issues only), stock broker, portfolio manager and debenture trustee as merchant bankers.
- (b) Y Co. Ltd. is considering a proposal to take a machine on lease from X Leasing Co. Ltd..

Lease period is 5 years but is to be renewed or not on each year-end. Lease rental amounts to Rs. 200 per Rs. 1000 on outstanding basis with 10% annual escalation if it is on renewable term and it amounts to Rs. 250 per Rs. 1000 on outstanding basis fixed, if it is on non-renewable term. If the annual repair and maintenance cost amounts to Rs. 5,00,000 and cost of the machine is Rs. 1,00,00,000, which lease term the company should go for? Assume, cost of capital is 9%. Incremental borrowing rate is 12% and marginal income tax rate for the companies is 25%.

UNIT – II

[Marks : 20]

3. Answer any *two* questions of the following : 5 × 2
- (a) Briefly discuss the Housing Finance System in India.
 - (b) What are the services provided by a factor ?
 - (c) Briefly discuss the mechanism of factoring services.

(d) What are the important features of Venture Capital Financing ?

4. Answer any *one* question of the following : 10 × 1

(a) (i) Discuss the various stages of Venture Capital Financing.

(ii) How we determine the value of a Venture Capital Institution by considering Conventional Venture Capitalist Valuation Method ? 6 + 4

(b) (i) Discuss the rating methodology followed by CRISIL.

(ii) Credit rating does not provide any guarantee regarding the overall financial health of a company. Discuss. 7 + 3

[*Internal Assessment* : 10 Marks]
