Q. P. Code: P08MB19

(For candidates admitted from 2008 onwards)

M.B.A.(Participatory Programme) Degree Examinations, January - 2010

Third Semester

Elective – FINANCIAL SERVICES

Time: Three hours | Maximum: 75 marks

PART-A (5 × 6 = 30 Marks)

Answer **ALL** the questions

1. a) Explain the steps taken by RBI to regulate the NBFCs.
(OR)
b) List out the services offered by a Merchant banker.

2. a) Why is leasing superior over hire purchase arrangement.
(OR)
b) What are the features of operating lease?

3. a) Explain the different types of mutual fund schemes?
(OR)
b) Explain the basic features of a factoring agreement? What are the different types of factoring?

4. a) How bill discounting is different from factoring?
(OR)
b) Venture capital financing has failed in India. Why?

5. a) How merger is different from acquisitions?
(OR)
b) What are the steps involved in mergers.

PART-B (3 × 10 = 30 Marks)

Answer any **THREE** questions

6. 'The scope of merchant banking is great in India' – Discuss.

7. Discuss the methods and process of evaluating leasing decisions from the point of lessor and lessee.

8. Examine the significance and growth of venture capital business in India. What are the various exit options for a venture capital financier?

9. Compare and contrast the rating mechanism followed by CRISIL and ICRA.

10. Explain the impact of mergers on earnings per share, market price per share and book value per share of the acquiring company.

PART-C (1 × 15 = 15 Marks)

(Compulsory)

11. ABC chemicals company is in the process of evaluating a proposal of purchase or lease of a new machine. The estimated increase in annual revenues is Rs.6 lakhs and the estimated increase in operating expenses is Rs.2.80 lakhs regardless of whether the machine is purchased outright or leased from the lessor XYZ leasing company. The equipment costs Rs.10 lakhs and has an estimated life of five years at the end of which the expected salvage value is Rs.2 lakh. The company has to depreciate the equipment at 27.5% on WDV and can claim an investment allowance of 25%.

The Finance manager has to decide whether to go in for the purchase of machine or to take it on lease under the following two situations:

i) when the discount factor is 10% and ii) when the discount factor is 12%

The tax rate can be assumed at 50%. The present value of Re.1 @ 10% and 12% discounting factor is:

Years	1	2	3	4	5
10%	.9091	.8264	.7513	.6830	.6209
12%	.8929	.7972	.7118	.6355	.5674

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