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Third Semester MBA Degree Examination, Dec.2014/Jan.2015
Banking and Financial Services

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any THREE full questions from Q.No.1 to Q.No.6.

2. Question No. 7 & 8 are compulsory.

3. Use of Time value table is permitted.

- 1 a. What is demand deposit? (03 Marks)
 b. Explain the advantages and limitations of leasing. (07 Marks)
 c. Explain various services offered by banks. (10 Marks)
- 2 a. What is leverage lease? (03 Marks)
 b. What is venture capital? Explain its features. (07 Marks)
 c. Explain different types of factoring. (10 Marks)
- 3 a. What do you mean by securitization of debt? (03 Marks)
 b. Compare lease financing with hire purchase financing. (07 Marks)
 c. Explain different money market instruments. (10 Marks)
- 4 a. Explain functions of NSDL. (05 Marks)
 b. Explain the broad classifications of NBFC's on the basis of services offered. (05 Marks)
 c. Explain the process of credit rating for new issues. (10 Marks)
- 5 a. Explain different types of banks with examples. (05 Marks)
 b. The modern technology is changing the functioning of banking system. Do you agree? Explain. (05 Marks)
 c. Explain different banking instruments. (10 Marks)
- 6 a. Explain various services offered by merchants banks. (10 Marks)
 b. How financial lease is different from operating lease? (10 Marks)
- 7 a. The central bank is trying to control inflation using banking system. Suggest some measures. (05 Marks)
 b. A nationalised bank wants to introduce hitech banking in rural area. List out the challenges for the bank. (05 Marks)
 c. Do you agree that the banks can bring in changes in rural economy? Substantiate your answer. (05 Marks)
 d. A first generation entrepreneur is setting up a new factory. Which type of lease should he opt for? And why? (05 Marks)
- 8 XYZ Ltd. is in the business of manufacturing steel utensils. The firm is planning to diversify and add a new line of products. The firm either can buy the required machinery or get it on lease.
 The machine can be purchased for Rs.15,00,000. It is expected to have a useful life of 5 yrs with salvage value of Rs.1,00,000 after the expiry of 5 years. The purchase can be financed by 20 percent loan repayable in 5 equal annual installments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year-end lease rentals of Rs.4,50,000 for 5 years. Advise the company, which option should be chosen.
 For your exercise, you may assume the following:
- a. The machine will constitute a separate block for depreciation purpose. The company follows written down value method of depreciation, the rate of depreciation being 25 percent.
 b. Tax rate is 35 percent and cost of capital is 18 percent.
 c. Lease rents are to be paid at the end of the year.
 d. Maintenance expenses estimated at Rs.30,000 per year are to be borne by the lessee. (20 Marks)

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