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08MBAFM324/BF374

Third Semester MBA. Degree Examination, December 2010
Merchant Banking and Financial Services

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any FOUR full questions, from Q.No. 1 - 7.
2. Question N. 8 is compulsory.

- 1 a. What are the different types of bank accounts in India? (03 Marks)
b. Write in detail the different types of banks in India. (07 Marks)
c. Explain the role of RBI as a regulator. (10 Marks)
- 2 a. What is the importance of life insurance? (03 Marks)
b. What are the essentials of an insurance contract? Explain in detail. (07 Marks)
c. Write a note on various instruments used in money market. Explain. (10 Marks)
- 3 a. Define 'Merchant Banker'. (03 Marks)
b. What are the SEBI guidelines governing merchant bankers? (07 Marks)
c. Explain the different pre – issue activities involved in raising capital through public issue. (10 Marks)
- 4 a. What is leveraged lease? (03 Marks)
b. Distinguish between operating lease and financial lease. (07 Marks)
c. Write short notes on : i) Factoring and ii) Forfeiting. (10 Marks)
- 5 a. What is ECB? (03 Marks)
b. What is credit rating? How does it help the investors? (07 Marks)
c. Illustrate and explain the debt securitization process / mechanism. (10 Marks)
- 6 a. Name the participants in money market. (03 Marks)
b. Discuss in detail the different money market instruments available in India. (07 Marks)
c. What is depository system? Explain briefly the functions of depository. (10 Marks)
- 7 a. What do you mean by financial services? (03 Marks)
b. Explain the various criteria considered for pricing GDRs. (07 Marks)
c. Discuss the marketing mix for financial services with an example. (10 Marks)
- 8 **CASE STUDY** : (Compulsory)

XYZ is considering the possibility of purchasing a multipurpose machine for Rs 10 lakhs. The machine has an expected life of 5 years. The machine generates Rs 6 lakhs per year before depreciation and tax. The management wishes to dispose the machine at the end of 5 years which will fetch Rs 1 lakh.

The depreciation allowable for the machine is 25% on WDV and the company's tax rate is 50%. The company approaches a NBFC for a 5 year lease for financing the asset which quoted a rate of Rs 28 per thousand per month. Evaluate the purchase option and lease proposal. Suggest the best option to the company. The cost of capital of the company is 12% and for the lease option discount rate is 16%. (20 Marks)
