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Third Semester MBA Degree Examination, December 2011
Merchant Banking and Financial Services

Time: 3 hrs.

Max. Marks:100

- Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7**
2. Question No. 8 is compulsory
3. P.V. tables can be provided.

- 1 a. What is leasing? (03 Marks)
b. What do you mean by rights issue? What are the SEBI guidelines on rights issue? (07 Marks)
c. Define securitization of debt. Explain the different steps involved in securitization process. (10 Marks)
- 2 a. Define mutual fund. (03 Marks)
b. Define and differentiate factoring and forfeiting. (07 Marks)
c. What is money market? Explain different money market instruments in India. (10 Marks)
- 3 a. What is hire purchasing? (03 Marks)
b. Explain the essentials of an insurance contract, in detail. (07 Marks)
c. Define book building. Explain the book building process, in detail. (10 Marks)
- 4 a. What is private placement? (03 Marks)
b. Define credit rating? Briefly explain CRISIL credit rating methodology, in detail. (07 Marks)
c. Briefly explain the performance of NSDL and CDSL. (10 Marks)
- 5 a. What do you mean by underwriting? (03 Marks)
b. Define capital market. Explain the capital market instruments, in detail. (07 Marks)
c. Define segmentation. Explain distribution and pricing mechanism of financial services. (10 Marks)
- 6 a. What is credit card? (03 Marks)
b. Briefly explain various IT products and their applications in banking industry. (07 Marks)
c. What is issue management? Explain SEBI guidelines in issue management. (10 Marks)
- 7 a. What are repo and reverse repo? (03 Marks)
b. Write a note on pre issue and post issue activities of merchant banker. (07 Marks)
c. Briefly explain the types of banks in India. (10 Marks)

8 Case-study :

KM Ltd. is in the business of manufacturing utensils. The firm is planning to diversify and add a new product line. 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 years, with a salvage value of Rs.1,00,000 after the expiry of 5 years. The purchase can be financed by 20% 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 rental of Rs.4,50,000 for 5 years. Advise the company on the option it should choose.

For your exercise, you may assume the following :

- i) The machine will constitute a separate block, for depreciation purposes. The company follows W.D.V method of depreciation being 25 percent.
- ii) Tax rate is 35 percent and cost of capital is 18 percent
- iii) Lease rentals are to be paid at the end of the year
- iv) Maintenance expenses estimated at Rs.30,000/year are to be borne by the lessee. (20 Marks)

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