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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. Use of time value tables is permitted.

- 1 a. Differentiate between life and non-life insurance. Mention the companies which offer non-life insurance in India. (03 Marks)
 b. Explain the process of book-building. How it is different from private placement? (07 Marks)
 c. Write a note on bill discounting mechanism. How it is different from factoring? (10 Marks)
- 2 a. Differentiate between market segmentation and market penetration. (03 Marks)
 b. What is credit rating? What are its features? (07 Marks)
 c. What is hire purchasing? What are its features? Explain the different clauses of hire purchase agreement. (10 Marks)
- 3 a. What do you mean by green shoe option? (03 Marks)
 b. What are the components of money market? Differentiate between commercial paper and certificate of deposit. (07 Marks)
 c. What is securitization of debt? Who are the parties involved? Explain its process. (10 Marks)
- 4 a. Differentiate between repo and reverse repo. (03 Marks)
 b. What are the advantages of cone banking? (07 Marks)
 c. Explain in detail the principles of insurance. (10 Marks)
- 5 a. What do you mean by reverse mortgage? (03 Marks)
 b. What do you mean by contract of leasing? What are the differences between financial and operating lease? (07 Marks)
 c. Explain the SEBI guidelines relating to issue management. (10 Marks)
- 6 a. Write a note on banker is not bailee of customer's money. (03 Marks)
 b. What is credit card? How it is different from debit card? (07 Marks)
 c. Explain the pre-issue and post issue activities controlled by a merchant banker. What is due diligence certificate? (10 Marks)
- 7 a. Write a short note on regulatory frame work applicable to credit rating agencies in India. (03 Marks)
 b. Who are the parties involved in the depository system? What are the benefits from depository services? (07 Marks)
 c. Differentiate between whole life policy and endowment policy. Explain briefly the various life insurance policies. (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
 2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

8 **Case study :**

Kishan Ltd. has a plan to diversify towards this end, it decides to buy a certain machinery. The company could either buy the machinery on have it on lease basis.

This machinery can be purchased for 15 lakhs. It is expected that machinery will have a useful life of 5 years with a salvage value of Rs.1 lakh after the expiry of 5 years.

The purchase can be financed by a loan at 20% p.a. repayable in five equal installments (inclusive interest) becoming due at the end of each year.

Alternatively the machinery can be taken on yearly lease rental of Rs.4,50,000 for 5 years. Advise the company as to the best option between these two. You may assume the following :

- i) The machinery will constitute a separate block for accounting purpose.
- ii) The company follows depreciation on W.D.V. basis being 25%.
- iii) Tax rate is 35%.
- iv) Lease rentals are to be paid at the end of the year.
- v) Maintains expenses estimated at Rs.3 lakhs are to be borne by the leasee. (20 Marks)

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