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10MBAFM324/BF374

Third Semester MBA Degree Examination, December 2012
Merchant Banking and Financial Services

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer FOUR full questions from Q1 to Q7.
2. Q8 is compulsory.
3. PV tables needs to be provided.

- 1 a. What are the sources of consumer finance? (03 Marks)
b. What are the recent trends in development and launching of new financial product? (07 Marks)
c. What are the international banking services? (10 Marks)
- 2 a. What is rights issue? (03 Marks)
b. What are unit linked insurance plans? Give some examples of this insurance product? (07 Marks)
c. What are SEBI guidelines for merchant bankers? (10 Marks)
- 3 a. What is private placement? (03 Marks)
b. What is reverse mortgage? What are the benefits? (07 Marks)
c. What are money market instruments? List a few money market instruments popular in India. (10 Marks)
- 4 a. What is ADR? (03 Marks)
b. What is book building? (07 Marks)
c. What is factoring? What are the types of factoring? Distinguish between factoring and forfeiting. (10 Marks)
- 5 a. What is reverse REPO? (03 Marks)
b. What is securitization of debt? What are its benefits? (07 Marks)
c. What is mutual fund? What are the various types and advantages of mutual funds? (10 Marks)
- 6 a. What is NSDL? (03 Marks)
b. Distinguish between leasing and hire purchase. (07 Marks)
c. What is credit rating? Explain the credit rating mechanism of any four rating agencies. (10 Marks)
- 7 a. What is leveraged lease? (03 Marks)
b. What do you understand by depository? What are the advantages of depository system? (07 Marks)
c. Divyashree Industries LTd. has an investment plan amounting to Rs. 108 lakh. The tax relevant rate of depreciation is 25%. Its marginal cost of capital and marginal cost of debt are 16% and 20% respectively and it is in 35% tax bracket. It is examining financing alternatives for its capital expenditure.

A proposal from a finance company with the following salient features is under active consideration; it has a plan of hire purchasing with interest rate of 16% repayment of the amount is to be made in 36 equated monthly installments. The hirer/ hirer purchases is required to make a down payment of 20%. Calculate the total cash outflow under hire purchase? (10 Marks)

8 CASE STUDY

Zcon Ltd. is thinking of installing a computer. Decide whether the computer is to be purchased outright through 14% borrowing or to be acquired on lease rental basis. The company is in the 50% tax bracket. The other data available are

For purchase option

Purchase price Rs. 20, 00, 000
Annual maintenance Rs 50, 000 (to be paid in advance)
Expected economic useful life -- 6 yrs
Slave vale Rs.2, 00, 000
Depreciation @ straight line method (for tax purpose)

For leasing option

Lease charges Rs. 4, 50, 000 (to be paid in advance)
Maintenance expenses to be borne by lessor
Payment of loan 6 year equal installment of Rs 514271
Will your decision change if lease rental is Rs. 55,0000 p.a paid during year end.

(20 Marks)

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