USN

10MBAFM324/BF374

Third Semester MBA Degree Examination, June 2012

Merchant Banking and Financial Services

Time: 3 hrs. Max. Marks:100

Note: 1. ***Answer FOUR full questions, from Q.No. 1 to 7.***
2. ***Q.No.8 is compulsory.***

1 a. What do you mean by securitization of debt? **(03 Marks)**
b. Explain the permissible banking activities. **(07 Marks)**
c. Discuss the various IT products and services used by Banks. **(10 Marks)**

2 a. Write a note on reverse mortgage service. **(03 Marks)**
b. Explain the essentials of insurance contracts. **(07 Marks)**
c. Discuss the types of base financing. **(10 Marks)**

3 a. What do you mean by merchant banking? **(03 Marks)**
b. What are the SEBI guidelines for merchant bankers? **(07 Marks)**
c. Explain the process of credit rating of financial instruments. **(10 Marks)**

4 a. Write a note on REPO. **(03 Marks)**
b. Differentiate between Hire purchase and leasing. **(07 Marks)**
c. Discuss the role of depositories and their services. **(10 Marks)**

5 a. What do you mean by factoring? **(03 Marks)**
b. What are the types of mutual fund? Explain. **(07 Marks)**
c. Explain the reasons for boom in consumer finance in India. **(10 Marks)**

6 a. State any three needs of insurance. **(03 Marks)**
b. Explain the stages in the securitization of debt. **(07 Marks)**
c. Write notes on the following :
i) ADR ii) GDR iii) ECB iv) Credit card. **(10 Marks)**

7 a. What do you mean by private placement? **(03 Marks)**
b. Explain the seven 'Ps' of marketing which can be used for marketing of financial services. **(07 Marks)**
c. A firm can purchase an asset for Rs 2500/- having life of 5 years after which the salvage value is Rs 500/-. The firm provides depreciation on straight line method. Purchasing and using the asset will increase the firm's expected revenue by Rs 1500 per year and will raise its expected operating expense (not including depreciation) and interest by Rs 700 per year. The corporate tax is 50% and cost of capital of the firm is 10%. Calculate the net present value of purchase option. (The PV factors at 10% are 0.909, 0.826, 0.751, 0.683, 0.621). **(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 :

A person wishing to take on lease an office premises, has been given two options by the landlord. The options are

Option 1 : Lease period 18 years.
Non refundable deposit of Rs 2,00,000 payable at the end of year 1.
A yearly rent of Rs 1,00,800 to be increased by 10% in year 5, 10 and 15 of tenancy.

Option II : A yearly rent of Rs 1,00,800 to be increased by 10% in year 5, 10 and 15 of tenancy.
Lease period 18 years.

As a financial manager, you are required to give your views on the alternatives from the point of view of the tenant. The rate of discount is to be taken at 18%. The PV factors at 18% from the year 1 to 18 are as follows :

1.0000, 0.8474, 0.7181, 0.6086, 0.5157,
0.4371, 0.3704, 0.3139, 0.2660, 0.2254,
0.1910, 0.1619, 0.1372, 0.1162, 0.0985,
0.0835, 0.0707, 0.0599

(20 Marks)

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