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Third Semester MBA Degree Examination, June/July 2011
Merchant Banking and Financial Services

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any FOUR full questions from Q.no 1 to 7.

2. Question No. 8 is compulsory.

- 1
 - a. What do you mean by certificate of deposit? (03 Marks)
 - b. List any seven functions of merchant banking. (07 Marks)
 - c. What is financial market? Explain its role and functions. (10 Marks)
- 2
 - a. What is rights issue? (03 Marks)
 - b. What are the major roles played by the person in the insurance business? Explain. (07 Marks)
 - c. Explain the various types of insurance policies. (10 Marks)
- 3
 - a. What is "Proximate cause"? (03 Marks)
 - b. What are the salient features of hire purchase? (07 Marks)
 - c. Discuss the primary market issue management process. (10 Marks)
- 4
 - a. What is book building? (03 Marks)
 - b. List out the functions of CARE. (07 Marks)
 - c. Explain the various steps involved in the rating process. (10 Marks)
- 5
 - a. Distinguish between Lease and Term loan. (03 Marks)
 - b. Discuss the various securitization instruments. (07 Marks)
 - c. Discuss the services rendered by a merchant banker. (10 Marks)
- 6
 - a. What is Net asset value? (03 Marks)
 - b. What are the advantages of mutual funds? (07 Marks)
 - c. Discuss the various types of factoring. (10 Marks)
- 7
 - a. What is the difference between debit card and credit card? (03 Marks)
 - b. Who is a lead manager? What are the activities performed by a lead manager? (07 Marks)
 - c. Give an brief account on classification of lease. (10 Marks)
- 8

Case study:

 - a. ABC company decided to acquire a Rs. 5,00,000 pulp control device that has a useful life of 10 years. A subsidy of Rs. 50,000 is available at the time of the device is acquired and placed into service. The device would be depreciated on straight line basis and no salvage is expected. The company is in the 50% tax bracket. If the acquisition is financed with a lease, lease payments of Rs. 55,000 would be required at the beginning of each year. The company can also borrow at 10% and debt payments would be done the very beginning of each of 10 years. What is the PV of cash outflow for each of these financing alternatives, using the after tax cost of debt? Which alternatives are preferable? (12 Marks)
 - b. Reliance equipments corporation is considering to lease an equipment which has a purchase price of RS. 3,50,000. The equipment has an estimated economic life of 5 years. As per the income tax rules, a written down depreciation at 25% is allowed. The lease rentals per year an Rs.1,20,000. The company's marginal tax rate is 50%. If the before tax borrowing rate for the company is 16%, should the company lease equipment? (08 Marks)

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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.

