

CBCS SCHEME

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16/17MBAFM302

Third Semester MBA Degree Examination, Dec.2018/Jan.2019 Investment Banking and Financial Services

Time: 3 hrs.

Max. Marks:80

- 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 Table is permitted.

- 1 a. Name any two credit rating agencies in India. (02 Marks)
b. Explain the types of housing loan. (06 Marks)
c. Explain the services of merchant banks. (08 Marks)
- 2 a. What is venture capital? (02 Marks)
b. Explain the objectives of depository system. (06 Marks)
c. Explain various functions of NBFC's. (08 Marks)
- 3 a. What is special purpose vehicle? (02 Marks)
b. Discuss the different stages in venture capital financing. (06 Marks)
c. Write a note on NSDL and CDSL. (08 Marks)
- 4 a. What is under writing? (02 Marks)
b. Compare and contrast factoring and forfeiting. (06 Marks)
c. Explain the process of credit rating of financial instruments. (08 Marks)
- 5 a. Expand NGO and SHG. (02 Marks)
b. Explain various functions of investment banks. (06 Marks)
c. Explain the types of factoring. (08 Marks)
- 6 a. What is Reverse Mortgage? (02 Marks)
b. Compare lease financing with Hire purchase financing. (06 Marks)
c. What is securitization of debt? Explain the types of securitisable assets. (08 Marks)
- 7 a. Name any two Factoring Agencies in India. (02 Marks)
b. Explain the Housing Loan Procedure in India. (06 Marks)
c. Explain the various steps involved in pre-issue and post-issue management. (08 Marks)

8 CASE STUDY: (Compulsory)

Vishwas Ltd. is in the business of manufacturing steel 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 salvage value of Rs.1,00,000 after the expiry of 5 years. The purchase can be financed by 20 percent 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 rentals of Rs.4,50,000 for 5 years. Advise the company, which 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 WDV method of depreciation, the rate of depreciation being 25 percent.
- ii) Tax rate is 35 percent and cost of capital is 18 percent.
- iii) Lease rents are to be paid at the end of the year.
- iv) Maintenance expenses estimated at Rs.30,000 per year are to be borne by the lessee.

(16 Marks)

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