

**MASTER OF BUSINESS ADMINISTRATION  
FOURTH SEMESTER  
ADVANCE FINANCIAL SERVICES  
MBA-403C**

Duration : 3 hrs.

Full Marks: 70

**( PART-A: Objective )**

Time : 20 min.

Marks : 20

*Choose the correct answer from the following:*

1X20=20

1. Categories of securities issue:
  - a. Public issue
  - b. Rights issue
  - c. Private placement
  - d. All of the above
2. State Bank of India started merchant banking in \_\_\_\_\_ followed by ICICI in \_\_\_\_\_.
  - a. 1972, 1974
  - b. 1978, 1980
  - c. 1973, 1974
  - d. 1980, 1981
3. \_\_\_\_\_ is basically a savings and investment corporation
  - a. UTI
  - b. IDBI
  - c. SBI
  - d. RBI
4. Secondary markets in treasury bills require involvement of \_\_\_\_\_ and \_\_\_\_\_.
  - a. Brokers, Dealers
  - b. Buyers, Sellers
  - c. Consumer, Producer
  - d. All of the above
5. Where the term 'Merchant Bank' is used 1<sup>st</sup> time
  - a. United States
  - b. United Kingdom
  - c. America
  - d. India
6. Merchant bank is a financial institution that-
  - a. Underwrites securities for corporations
  - b. Advice clients on mergers
  - c. Involved in ownership of commercial ventures
  - d. All of the above
7. Equity funding is preferable especially when the project is \_\_\_\_\_.
  - a. Fund intensive
  - b. Finance intensive
  - c. Capital intensive
  - d. Application intensive
8. The \_\_\_\_\_ has to manage the post-issue activities
  - a. Merchant banker
  - b. Lead manager
  - c. Bank promoter
  - d. All of the above
9. It is a process by which a demand for the securities proposed to be issued by a body corporate is elicited.
  - a. Book building
  - b. Share certificate
  - c. Promoter issue
  - d. Circular

10. ----- is a financial intermediary who helps to mobilize and transfer capital from those who possess it to those who need it.
- |                    |                     |
|--------------------|---------------------|
| a. Venture capital | b. Merchant banking |
| c. Leasing         | d. hire purchaser   |
11. A merchant bank can help an organization specifically in promotional functions, -----.
- |                         |              |
|-------------------------|--------------|
| a. Sponsoring the issue | b. Marketing |
| c. None of these        | d. a and b   |
12. Minimum net worth of merchant bankers-----
- |            |            |
|------------|------------|
| a. 5 crore | b. 1crore  |
| c. 10crore | d. 20crore |
13. The term \_\_\_\_\_ is defined as a central location for keeping securities on deposit
- |                 |                      |
|-----------------|----------------------|
| a. Depository   | b. Instrument        |
| c. Institutions | d. None of the above |
14. SEBI stands for
- |  |  |
|--|--|
| a. Securities & Exchange Board Institute | b. Securities & Exchanges Board of India     |
| c. Securities & Exchange Board of India  | d. Securities & Exchanges Board of Institute |
15. CRISIL has been promoted by \_\_\_\_ and \_\_\_\_.
- |               |              |
|---------------|--------------|
| a. ICICI, UTI | b. IDBI, SBI |
| c. AXIS, UTI  | d. PNB, SBI  |
16. ----- covers the entire range of services provided by a merchant banker.
- |                       |                         |
|-----------------------|-------------------------|
| a. Project counseling | b. Corporate counseling |
| c. Credit syndication | d. Market makers        |
17. Financial services offered financing risk project e.g. Risk capital scheme of IFCI venture capital fund of IDFI etc. to provide -----.
- |                 |                    |
|-----------------|--------------------|
| a. Seed capital | b. Venture capital |
| c. Primary fund | d. Secondary fund. |
18. Role of merchant bankers-----.
- |                          |                         |
|--------------------------|-------------------------|
| a. Mobilization of funds | b. Promotional function |
| c. Innovation            | d. All of these         |
19. Which one is the first bank in India who set up a separate merchant banking division
- |                              |                            |
|------------------------------|----------------------------|
| a. Punjab national bank      | b. Standard chartered bank |
| c. National & Grin days bank | d. National city bank.     |
20. The \_\_\_\_\_ is the apex organization in the Indian money market
- |          |         |
|----------|---------|
| a. SBI   | b. RBI  |
| c. ICICI | d. IDBI |

( PART-B : Descriptive )

Time: 2 HRS 40 MINS

Marks : 50

[ Answer question no.(1) & any four (4) from the rest ]

1. Discuss the various functions of merchant banking. 10
  
2. a. what is merger? Discuss the types of merger 5+5=10  
b. Distinguish between merger and acquisition
  
3. a. From the following information, you are required to show the loan repayment schedule under each of the following three methods: 10
  1. Steady principal reduction method
  2. Steady payment method
  3. Balloon payment method

|                                  |                |
|----------------------------------|----------------|
| Purchase Price of Asset          | : Rs. 1,50,000 |
| Down Payment                     | : Rs. 50,000   |
| Period of Loan                   | : 5 years      |
| Interest                         | : 8% p.a.      |
| Annuity factor at 8% for 5 years | : 3.993        |

Assume that the firm pays nothing in the first 2 years, Rs. 30,000 in the 3<sup>rd</sup> and 4<sup>th</sup> years and Rs. 40,000 in following the 5<sup>th</sup> year, with an interest rate of 9% under the balloon payment method
  
4. a. What is credit rating agency. Discuss the functions of any two credit rating agencies. 2+8=10
  
5. a. Distinguish between factoring and bills discounting. 5+5=10  
b. Distinguish between financial lease and operational lease.
  
6. a. what is financial services? Discuss the various functions and problems of financial services. 2+4+4=10
  
7. a. The leasing of equipment having a purchase price of Rs. 40,00,000 is being considered by a firm. The equipment, having an estimated economic life 5 years, is expected to generate annual lease rentals of the order of Rs. 12,00,000 to the leasing company. Depreciation @25% is to be allowed as specified by income tax rules. Evaluate the desirability of the lease option to the firm, assuming that the firm's 10

marginal corporate tax rate is 50% and that the after-tax borrowing rate is 8%.

Note: PV table at 8% reveal the following:

|      |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|
| Year | 1     | 2     | 3     | 4     | 5     |
| PVF  | 0.926 | 0.857 | 0.794 | 0.735 | 0.681 |

8. What is factoring? Discuss its types, advantages and disadvantages. 1+3+3+3=10

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