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**MBAS 553**

**Fourth Semester M.B.A. Degree Examination, October 2021**

**BUSINESS ADMINISTRATION (Regular and Repeater)**

**Financial Services**

Time : 3 Hours

Max. Marks : 70

**SECTION – A  
(Compulsory)**

**Note :** Answer **any two** questions. Answer to the questions should **not** exceed **six** pages. **(2×10=20)**

1. Discuss the role of insurance in financial framework in a developing economies.
2. Explain the functions of Merchant banking in the Indian context.
3. Describe the concept and different types of leasing.

**SECTION – B**

**Note :** Answer **any three** questions. Answer to the questions should **not** exceed **six** pages. **(3×12=36)**

4. Briefly explain the functions of financial system.
5. Explain the advantages and disadvantages of ADR and GDR.
6. Explain the process of awarding credit rating.
7. On 1<sup>st</sup> April, 2008, Bihar Collieries obtained a machine on the hire purchase system, the total amount payable being Rs. 2,50,000. Payment was to be made : Rs. 50,000 down payment and the balance in four annual instalments of Rs. 50,000 each. Interest charged was at the rate of 15 percent. At what value should the machine be capitalised ?
8. Imagine that you are considering an equipment for lease (rather than a purchase) of a computer for your office. The lease terms call for a lease rent of Rs. 3,500 P. M. payable over 24 month and a residual value of Rs.1,000. The cost of capital is 9% and the tax rate is 40 percent. Compute the cost of leasing.

P.T.O.



SECTION – C  
(Compulsory)

**Note :** Answer to the question should **not** exceed **six** pages. **(1×14=14)**

9. Modern Outlook Ltd. (MOL), a small manufacturing firm, is considering the acquisition of a machine. After evaluating equipments offered by seven different manufacturers, it has come to the conclusion that 'Z' was the most suitable machine for its needs. Consequently, it has asked the manufacturer's sales personnel to provide information on alternative financing plans available through their financing subsidiary. The subsidiary presented the two alternatives.

Alternative I was to lease the 'Z' equipment for 7 years, which was the machine's expected useful life. The annual lease payment would be Rs. 14,700 and would include service and maintenance. Lease payments would be due at the beginning of the year. Lease payments would be fully tax-deductible on the year of payment.

Alternative II would be to purchase the 'Z' equipment through 100% loan from the financing subsidiary. The cost of the machine is Rs. 50,000. It would make seven annual payments of Rs. 9,935 each to repay the loan of Rs. 50,000. Payments would be, at the end of each year. The MOL's marginal tax rate is 44%. It has estimated that the equipment has an expected salvage value of Rs. 1,000. The company plans to depreciate the equipment by using straight line method. The service and maintenance would cost Rs. 3,700 annually. You are required to advise MOL on the desirability of the alternative plans, assuming that the rate of interest is 9% p.a.