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MBAS 553

IV Semester M.B.A. Degree Examination, May/June 2019

BUSINESS ADMINISTRATION

Financial Services

Time : 3 Hours]

[Max. Marks : 70

SECTION – A

(Compulsory)

Answer **any two** questions. Answer to the questions should not exceed 6 pages. **(2 × 10 = 20)**

1. Explain the drawbacks of the depository system and suggest measures to make it an efficient system.
2. Write a short note on the following :
 - (a) Treasury bills
 - (b) Commercial bills
3. What are the SEBI guidelines to primary issue and secondary issue?

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SECTION – B

Answer **any three** questions. Answer to each question should not exceed 6 pages. **(3 × 12 = 36)**

4. Explain the new financial instruments with examples.
5. Explain the process and functions of credit rating agencies.
6. Elaborate the Nationalisation of banks in India.
7. ABC Finance Ltd. is a hire purchase and leasing company. It has been approached by a small Business firm interested in acquiring a machine through leasing. The quoted price of the machine is Rs. 5,00,000, 10% sale tax is extra. The lease will be for a primary lease period of 5 years. The finance company wants 8% post-tax return on the outlay. Its effective tax rate is 35%. The income tax rate of depreciation on the machine is 25% (WDV). Lease rents are payable in arrear at the end of each year. Calculate the annual rent to be charged by ABC Finance Ltd.
8. Explain the duties and responsibilities of merchant banker.

**SECTION - C****(Compulsory)**

Answer to the question should not exceed **6** pages. **(1 × 14 = 14)**

9. For the ABC Ltd has an investment plan amounting to Rs. 150 lakhs. The tax relevant rate of depreciation of ABC is 25 percent, marginal cost of capital and marginal cost of debt are 14 percent and 22 percent respectively. It is in 35 percent tax bracket. It is examining financial alternatives for its capital expenditure. A proposal from HML with the following features are under its active consideration.

- (a) Hire purchase plan : a flat rate of interest charge HML is 14 percent, the repayment of the amount is made in 48 equated monthly instalments. The hire is require to make down payment of 20 percent.
- (b) The lease rentals are payable at Rs. 48 per thousand per month, the primary lease period can be assumed to be 4 years. Assume SOYD method is used to allocate the total charge for credit under the hire purchase plan. The net salvage value of the asset after 4 years can be assumed to 30 lakhs.

Which alternative, leasing or hire purchase should the ABC use.
