

Total No. of Printed Pages : 2
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MBAS 553

Sl.No. : 0216

IV Semester MBA Degree Examination, May 2018
BUSINESS ADMINISTRATION
Financial Services

Time : 3 Hours

Max. Marks : 70

SECTION - A
(Compulsory)

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

Q1) Critically analyse the challenges and present position of the financial service sector in India.

Q2) Describe the guidelines issued for merchant bankers by SEBI and discuss their progress and problems.

Q3) Explain the drawbacks of the depository system and suggest measures to make it an efficient one.

SECTION - B

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

Q4) Describe the nature and importance of commercial paper.

Q5) Define credit rating. Explain the benefits of credit rating.

Q6) Explain the impact of Nationalisation of banks in India.

Q7) Calculate the cost of hire purchase from following details.

Cost of Equipment	Rs.18 lakhs
Hire term	8 years
Hire instalment	1.5 lakhs
Installation charge	2 lakhs
Residual value	Rs.2 lakhs
Depreciation	20% WDV
Cost of capital	12%
Cost of Debt	16%
Maintenance charge	Rs.1.5 lakhs in 5 th year

Q8) A company wants to lease a Rs.10 lakh equipment. The lessor requires eight annual end of the year lease payments of Rs.1,75,000. The company's marginal tax rate is 35%. If it buys the equipment, it can write off the written down cost of asset at 25 percent. The company's borrowing rate is 15 percent. Should the company lease the equipment? Use equivalent loan method to answer the question.

SECTION-C

(Compulsory)

Note: Answer to the question should not exceed six pages. This question carries fourteen marks. (1 × 14 = 14)

Q9) ABC Industries LTD. has an investment plan amounting to Rs.150 lakhs. It uses WDV method of depreciation @25% and it is in 30% tax bracket. Marginal cost of capital and cost of debt are 14% and 16% respectively. The company is examining the financing alternative for its capital expenditure. A proposal from the financial company with the following features is under consideration.

Alternative I - Hire Purchase

Flat rate of interest charged is 13%. The amount would have to be repaid in 48 equated monthly instalments in advance. The company is required to make cash down payment of 25%.

Alternative 2 - Leasing Plan.

The lease rentals payable at Rs. 300/1000 per month. The lease period can be assumed to be 4 years.

You are required to show the allocation of total charge for credit on the basis of SOYD (sum of year's digit) method. The net salvage value of equipment after 4 years assumed to be Rs.40 lakh. Suggest a suitable alternative.

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