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**MBAS 553**

**Fourth Semester M.B.A. Degree Examination, September 2020**  
**BUSINESS ADMINISTRATION**  
**Financial Services**

Time : 3 Hours

Max. Marks : 70

**Instruction : Answer all Sections.**

**SECTION – A**

**(Compulsory)**

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

1. "The financial system provides the intermediation between savers and investors and promotes faster economic development." Examine the statement and explain the functions, importance and components of the financial system.
2. State the general obligations and responsibilities of a merchant banker.
3. Discuss the importance of commercial bill. Why has the commercial bills market not developed in India ?

**SECTION – B**

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

4. Explain the term 'Depositories'. Discuss the advantages and disadvantages of online trading.
5. Explain the benefits and limitations of credit rating.
6. Describe the role and functions of Reserve Bank of India.
7. HMT is contemplating having an access to a machine for a period of 5 years discussion with various financial institutions have that the company can have the use of machine for the stipulated period through leasing arrangement, or the requisite amount can be borrowed at 14% to buy the machine. In case

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of leasing, the firm would be required to pay an annual end- of- year rent of Rs. 1,20,000 for 5 years. The company follows written down value method of depreciation, the depreciation rate being 25%. The corporate tax rate is 35%. Post tax marginal cost of capital is 10%. Salvage value, Rs. 40,000 at the end of 5<sup>th</sup> year. The cost of machine is Rs. 3,43,000. Compute the net advantage leasing to the lessee.

8. Following details pertain to ABC Ltd. company manufacturing an item required for the automobile sector :

Cost of equipment is Rs. 25,00,000.

Hire term is 5 years and hire charge is Rs. 2,80,000.

Down payment is 20% of cost price.

Flat rate of interest is 13% per annum.

Appropriate borrowing rate is 16%.

Cost of capital 20%.

Tax rate 35%.

Depreciation to be charged on straight line method, the salvage being Rs. 1,00,000 at the end of 5 years. Use SOYD (Sum of year digit method) for allocation of financial charges. Calculate the net advantage of hire purchase.

### SECTION – C

#### (Compulsory)

**Note :** Answer to the question should **not** exceed **six** pages. This question carries **fourteen** marks.

(1×14=14)

9. Calculate the cost of hire purchase and leasing.

Cost of equipment	Rs. 10 lakhs
Hire / Lease term	8 years
Hire / Lease instalment	Rs. 1.5 lakhs
Installation charge	Rs. 1 lakhs
Residual value	Rs. 2 lakhs
Depreciation	20% WDV
Cost of capital	12%
Cost of debt	16%
Maintenance charge	Rs. 1 lakhs in 5 <sup>th</sup> year.
Tax rate	40%