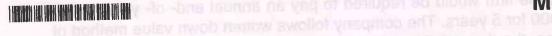
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# Fourth Semester M.B.A. Degree Examination, September 2020 BUSINESS ADMINISTRATION Financial Services

Time: 3 Hours and the control of the second of the control of the

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)

- "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)
  - 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

#### **MBAS 553**



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. (1x14=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 20% WDV

Depreciation
Cost of capital

12%

Cost of debt

12/0

Maintenance charge

16%

Rs. 1 lakhs in 5th year.

Tay rata

40%