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MBAS 462

Second Semester M.B.A. Degree Examination, November 2023
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)**

1. "In spite of suitable legislative measures, the Indian financial system remains weak". Comment.
2. Describe the steps the credit rating agencies followed in the rating process.
3. Describe the guidelines of ADR issue.

SECTION – B

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

4. Define merchant banking. Elaborate the multifarious services rendered by the merchant banks in India.
5. Critically examine the functions of central bank and commercial banks.
6. Why was the insurance sector liberalised in India ? Discuss the changing trends of Insurance Industry.
7. Calculate cost of hire purchase under SOYD (Sum of Year Digit) method
Hire term 5 years
Hire installment 28/1000 per month (PTPM) .
Cost of borrowing 14%
Cost of capital 16%
Straight-line method of depreciation is allowed for similar asset
Tax rate 40%
Value of asset Rs. 5,00,000.

P.T.O.



8. A company is considering the lease of an equipment which has a purchase price of Rs. 4,50,000. The equipment has an estimated economic life of 5 years. As per the Income Tax Rule a written down depreciation at 25 percent is allowed. The lease rentals per year are Rs. 1,40,000. Assume the company's marginal corporate tax rate is 35 percent. If the before-tax borrowing rate for the company is 16 percent. Calculate the net present value of lease, should the company lease the equipment ? Ignore tax shield on depreciation after 5 years.

SECTION – C
(Compulsory)

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

9. Mangalore Industries 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 16% and 20% 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 1-Hire Purchase

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

Alternative 2-Leasing Plan

The lease rentals payable at Rs. 40/1000 per month. The lease period can be assumed to be 4 years. Suggest a suitable alternative. You are required to show the allocation of total charge for credit on the basis of SOYD.