

MBA III Semester Supplementary Examinations May 2017
FINANCIAL INSTITUTIONS, MARKETS & SERVICES
(For students admitted in 2014 & 2015 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

Answer the following: (05 X 10 = 50 Marks)

- 1 Define financial system. What are its functions?
OR
- 2 What is monetary policy? Explain different techniques of monetary policy implemented by RBI.
- 3 Discuss the changing role of commercial banks in India.
OR
- 4 Define mutual fund. Discuss the growth and problems of mutual funds in India.
- 5 What is money market? Explain the functions of money market.
OR
- 6 Discuss the role of SEBI.
- 7 What is factoring? Explain different factoring methods.
OR
- 8 Define venture capital. Explain different methods of finance under venture capital.
- 9 What is credit rating? Explain the process of credit rating.
OR
- 10 Discuss the challenges faced by investment bankers in India.

SECTION – B

(Compulsory Question)

01 X 10 = 10 Marks

11 **Case study:**

XYZ Ltd., is in the business of manufacturing steel utensils. The firm is planning to diversify and add a new product line. The firm either can buy the required machine or get it on lease.

The machine can be purchased for Rs.15,00,000. It is expected to have a life of 5 years with a salvage value of Rs.1,00,000 after the expiry of 5 years. The purchase can be financed by 20% loan repayable in 5 equal annual installments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year-end lease rentals of Rs.4,50,000 for 5 years. Advise the company on the option it should choose. For your exercise you may assume the following:

- (a) The machine will constitute a separate block for depreciation purposes. The company follows WDV method of depreciation, the rate of depreciation being 25%.
- (b) Tax rate is 35% and cost of capital is 20%.
- (c) Lease rentals are to be paid at the end of the year.
- (d) Maintenance expenses estimated at Rs.30,000 p.a. are to be borne by the lessee.
