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| NEW SCHEME |
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Third Semester MBA Degree Examination, July 2007
Business Administration

Merchant Banking and Financial Services

Time: 3 hrs.]

[Max. Marks:100

Note : 1. Answer any FOUR full questions from question 1 to 7.
2. Question No. 8 is compulsory.

- 1 a. Define Merchant Banker. (03 Marks)
- b. What are the SEBI guidelines regulating merchant bankers? (07 Marks)
- c. Discuss the different money market instruments available in India. (10 Marks)
- 2 a. What do you mean by Financial Services? (03 Marks)
- b. Differentiate between Capital and Money markets. (07 Marks)
- c. What are the different pre – issue activities in raising capital? (10 Marks)
- 3 a. Explain the concept of Hire Purchasing. (03 Marks)
- b. Write briefly the terms and procedure involved in rights issue of equity shares. (07 Marks)
- c. Explain the factors to be considered while evaluating the new projects (by the venture capitalists) (10 Marks)
- 4 a. Explain Forex Markets. (03 Marks)
- b. What are the various criteria considered for pricing of GDRs? (07 Marks)
- c. Explain the methodology followed by ICRA in rating the credit instruments. (10 Marks)
- 5 Write short notes on any 4 of the following :
 - a. ECB
 - b. NSDL
 - c. Consumers financing
 - d. Lease financing.
 - e. Gild – edged securities
 (20 Marks)
- 6 a. Define Book building. (03 Marks)
- b. Evaluate the performance of mutual funds in India. (07 Marks)
- c. Briefly discuss the performance of NSDL and CSDL. (10 Marks)
- 7 a. What do you mean by due – diligence? (03 Marks)
- b. Distinguish between operating lease and financial lease. (07 Marks)
- c. What do you understand by Private Placement Market? (10 Marks)
- 8 Case Study :

XYZ Finance Ltd., is considering entering a company leasing business. Main frame computers can be purchased for Rs 2,00,000 each and in turn be leased out at Rs 50,000 per year for 8 yrs with initial payment occurring at the end of first year. You may ignore taxes and depreciations.

 - a. Estimate the annual before expenses and tax IRR of the company. (05 Marks)
 - b. What should be the yearly payment charged by the company in order to earn a 20% annual compound rate of return before expenses and taxes? (05 Marks)
 - c. Assume that the firm uses the straight line method of depreciation, there is no salvage value, the annual expenses are Rs 20,000 and the tax rate is Rs 35 per unit. Calculate the yearly lease payment in order to enable the firm to earn 20 percent after tax annual compound rate of return. (05 Marks)
 - d. Further, assume that the computer has a resale value of Rs 40,000. Determine the revised lease rent to enable the firm to earn 20 percent. (05 Marks)
