

AS-804

M.B.A. (Semester—IV) Examination
MANAGEMENT OF FINANCIAL SERVICES
Paper—MBA/4104/CGF

Time : Three Hours]

[Maximum Marks : 70

- N.B. :—** (1) Attempt **all** questions.
(2) Figures to the right indicate marks.
(3) Annuity table, Scientific calculator allowed.

SECTION—A

1. (a) Book building is an alternative method of pricing that portion of the issue which is reserved for institutional and corporate investors. Comment and simplify. 14

OR

- (b) Compare a rights issue with a public issue; also discuss the impact of a rights issue on the wealth of shareholders with the help of a suitable example. 14

SECTION—B

2. (a) What are the limitations of credit rating in India ? 7
(b) The scope of high rate of returns is just one side of the coin, on the other side fluctuating sale of returns is the greatest challenge faced by the mutual fund. Do you agree ? Give reasons. 7

OR

- (c) Why is the general insurance market smaller than the life insurance market in India ? 7
(d) The role of Banking is changing drastically. Explain this statement in the light of the latest event of Demonetization. 7
3. (a) How does factoring differ from bills discounting and cash credit ? 7
(b) Identify the critical factors required for the success of the Venture Capital Industry in India. 7

OR

- (c) What are the causes for the failure of Bill Market Scheme in India ? Mention some of the steps taken by RBI for revitalization of the Indian Bill Market. 7
(d) Take any Venture Capital Fund from India and explain its broad features. 7

SECTION—C

4. (a) 'A Financial system is a well-integrated system whose parts interact with each other'. Explain. 7
- (b) What are the major constituents of the financial services market ? 7

OR

- (c) Briefly explain the regulatory framework available for various financial services in India. 7
- (d) Do Banks create money ? Discuss the role of Banks. 7

SECTION—D

5. Magnum Leasing is in business of providing automobiles on wet lease to corporate clients. Magnum is considering a new model of Ford car for which an enquiry has come. The cost of the vehicle is Rs. 1.5 million. Its operating, maintenance and insurance cost are expected to be Rs. 0.25 million in year 1, thereafter it will increase annually by 6%. The vehicle is expected to have a useful life of 6 years and it will fetch you a net salvage value of Rs. 0.6 million. After that the depreciation rate for tax purpose will be 40% under WDV method. Magnum's marginal tax rate is 35% and its cost of capital is 10%.

What is the minimum annual lease rental that Magnum should quote ? Ignore the cost of negotiation and lease administration. 14