

2016

MBA

3rd Semester Examination

FINANCIAL SERVICES

(Specialisation : Financial Management)

PAPER—F-302

Full Marks : 100

Time : 3 Hours

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

1. Answer any *eight* questions from the following : 8×5
- (a) What do you mean by Factoring Services ? Briefly discuss the process of factoring services.
 - (b) Discuss the factors that affect assignment of credit rating of a security.
 - (c) Briefly discuss the role of IRDA in promoting insurance services.

(Turn Over)

- (d) Briefly discuss the important functions rendered by a Merchant Banker.
- (e) Write a short note on 'Underwriting activity' as an important function of a Merchant Banker.
- (f) Is factoring a short-term source of finance? — Explain briefly.
- (g) Distinguish between financial lease and operating lease.
- (h) What do you mean by 'Venture Capital'? How it differs from 'Private Equity'?
- (i) Explain the credit rating process of CARE.
- (j) Distinguish between Factoring and Forfeiting.
- (k) Discuss the important services provided by a factor.
- (l) Credit Rating does not provide any guarantee regarding the overall financial health of a company — discuss.

2. Answer any *four* questions from the following : 4×10

- (a) (i) A manufacturing firm has a total sales of Rs. 200 lacks of which 70% is made on credit. The firm sells on terms 3/20 net 45. On an average, 20 per cent of the customers pay on the 20th day and the remaining customers pay, on average, 70 days after the invoice

date. The past experience indicates that bad-debt losses are around 2% on credit sales. The firm spends Rs. 250000 on administering its sales which include salaries of an officer and two clerical personnel who handle credit checking, collection etc. A factor is prepared to buy the firm's receivables by charging 2.5% commission. In addition to that, the factor will charge a commission of 2% for bearing credit risk. The factor will pay advance to the firm at an interest rate of 18% after withholding 20% as reserve. Presently, the firm borrows from the State Bank of India for its working capital requirement at 15 per cent interest per annum.

Evaluate the factoring proposal.

- (ii) Briefly discuss the process of forfeiting services in India. 6+4

(b) Discuss the rating methodology followed by CRISIL.

10

- (c) (i) What does 'investment nurturing' mean? What are its objectives?

- (ii) Describe the different styles of investment nurturing.

(2+4)+4

- (d) (i) Write short notes on two different types of mutual fund — Index Fund and Leveraged Fund.
- (ii) Briefly discuss the role of Asset Management company for managing the portfolio of mutual fund institution. 6+4
- (e) (i) What is reinsurance ? State the different types of reinsurance.
- (ii) Briefly discuss the role of insurance in economic growth. 6+4
- (f) (i) Discuss the various stages of Venture Capital Financing.
- (ii) How do we determine the value of a Venture Capital Institution by considering First Chicago Method of Valuation ? 5+5

[Internal Assessment : 20]
