2015
M. Com.
3rd Semester Examination
FINANCIAL SERVICES
PAPER — COM-301
Full Marks : 50
Time : 2 Hours

The figures in the right-hand margin indicate full marks.
Candidates are required to give their answers in their
own words as far as practicable.
Illustrate the answers wherever necessary.

Unit—I

[Marks : 20]

1. Answer any two questions :

   (a) Discuss the importance of financial services with
       examples. 5

   (b) Distinguish between fund-based and fees-based
       financial services with one example under each
       category. 5

   (Turn Over)
(c) Mention any four factors which may influence the demand for consumer finance.  

(d) Describe the activities of any one merchant banking institution which is not related to primary market.  

2. Answer any one question from the following: 1x10

(a) X Co. Ltd. leases out a machine, costing ₹ 50 lakh to Y Co. Ltd. for a period of 5 years in a single agreement with a provision for residual value guaranteed by Y Co. Ltd. amounting ₹ 5 lakh. Lease rent amounts to 250/1000. Repair and maintenance cost on an average per year during the period of lease is expected to be ₹ 1 lakh. Incremental borrowing rate is 18% and marginal corporate tax rate is 50%. Show possible ledger accounts for the first two years and financial reporting for the first one year only in the books of Y Co. Ltd. Effective working life of the machine is 5 years and ‘Sum-of-the year digits’ method is applicable.

(b) DB Ltd. manufacture steel products. The company is planning to diversify and add a new product line. The company can either buy the required machinery or get it on lease.
The machine can be purchased for ₹15,00,000. It is expected to have a useful life of 5 years with salvage value of ₹50,000 after the expiry of its life. The purchase can be financed by 20% loan repayable in 5 equal annual instalments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year end lease rentals of ₹4,50,000 for 5 years. Advise the company, which option it should choose. You may assume the following:

(i) The machine will constitute a separate block for depreciation purposes. The company follows w.d.v. method of depreciation being 25%.

(ii) Tax rate is 20% and cost of capital is 18%.

(iii) Lease rentals are to be paid at the end of the year.

(iv) Maintenance expense estimated at ₹30,000 per year is to be borne by the lessee.

Unit—II

[Marks : 20]

3. Answer any two questions:

(a) Briefly discuss the functions of a factor.

(b) Discuss the various stages of Venture Capital Financing.

C/16/M.Com./3rd Seme./COM-301

(Turn Over)
(c) Distinguish between Factoring and Bill discounting.

(d) Discuss the different housing finance schemes of HFIs in India.

4. Answer any one question of the following : 1×10

(a) (i) What are the benefits of credit rating services?

(ii) Discuss the factors that affect assignment of credit rating of a security. 5+5

(b) (i) What are the essential areas to be covered by a VCU to write a business plan for Venture Capital?

(ii) Define Conventional Venture Capitalist Valuation method. Explain the steps involved under the method. 6+4

[Internal Assessment : 10 Marks]