

**MASTER OF BUSINESS ADMINISTRATION**  
**Fourth Semester (Repeat)**  
**MANAGEMENT OF FINANCIAL SERVICES**  
**(MBA – 403 C)**

**Duration: 3Hrs.**

**Full Marks: 70**

Part-A (Objective) =20  
Part-B (Descriptive) =50

**(PART-B: Descriptive)**

**Duration: 2 hrs. 40 mins.**

**Marks: 50**

**Answer any four from Question no. 2 to 8**  
**Question no. 1 is compulsory.**

1. Describe the meaning of Merchant banking. Discuss the important functions of Merchant banking. (3+7=10)
2. What do you mean by Venture capital? Discuss in detail the features and stages of venture capital financing. (2+8=10)
3. Describe the concept of leasing. Explain in detail types of leasing business and advantages to lessor and lessee. (3+7=10)
4. Distinguish between venture capital finance and conventional finance. Distinguish between commercial bank and merchant bank. (5+5=10)
5. Company A is contemplating the purchase of Company B. Company A has 200000 shares outstanding with Rs.25 market value per share while Company B has 100000 shares selling at Rs.18.75. The EPS are Rs.3.125 for Company A and Rs.2.5 for Company B. Assuming the two managements have agreed that the shareholders of Company B are to receive Company A's share in exchange for their shares (i) in proportion to the relative earnings per share of the two firms, (ii) 0.9 shares of company A for one share of Company B (Share exchange ratio of 0.9:1). Illustrate the impact of merger on the EPS. (5+5=10)



6. Critically analyse the present position of the financial service sector in India.

Distinguish between Leasing and Hire Purchase. (5+5=10)

7. Sun Ltd discounts its cash flows at 16% and is in the tax bracket at 35%. For the acquisition of a machinery of Rs. 1000000 it has two options- either to acquire the asset by taking a bank loan @15% p.a. repayable at in 5 years instalments of Rs.200000 each plus interest or to lease the asset at yearly rentals of Rs.334000 for five years. In both the cases the instalment is payable at the end of the year. Depreciation is to be applied at the rate of 15% using written down value method. You are required to advise which of the financing options is to be exercised and why? (10)

Year	1	2	3	4	5
P.V. Factor @16%	0.862	0.743	0.641	0.552	0.476

8. The Hypothetical Ltd wants to acquire Target Ltd. The balance sheet of Target Ltd as at March 31 (current year) has the following assets and liabilities.

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity Share Capital (30000 shares of Rs.10 each)	3,00,000	Cash	10,000
Retained Earnings	1,00,000	Debtors	15,000
12% Debentures	1,00,000	Inventories	85,000
Creditors and other liabilities	1,60,000	Plant and Equipment	5,50,000
	6,60,000		6,60,000

Additional information:

- (i) The shareholders of Target Ltd will get 1(one) share in Hypothetical Ltd for every 2 shares; the shares of Hypothetical Ltd would be issued at its current market price of Rs.15 per share. Debenture holder will get 13% convertible debenture in the purchasing firm of the same amount. The external liabilities are expected to be settled at Rs.150000. Further it is estimated that debtors and inventories are expected to realise Rs.90000.
- (ii) It is expected that the cash inflows after taxes from the new machine will be Rs.150000 per year for the next 6 years of the useful life of the machine; the expected salvage value of plant at the end of its useful life is Rs.50000.
- (iii) The firm's cost of capital is 12 percent.

Advise the company regarding the financial feasibility of the acquisition.

\*\*\*\*\*



**MASTER OF BUSINESS ADMINISTRATION**  
**Fourth Semester (Repeat)**  
**MANAGEMENT OF FINANCIAL SERVICES**  
**(MBA – 403 C)**

**Duration: 20 minutes**

**Marks – 20**

**(PART A - Objective Type)**

**I. Choose the correct answer:**

**1×20=20**

1. Financial intermediaries exist because small investors cannot efficiently \_\_\_\_\_.  
A. Diversify their portfolios      B. Gather all relevant information  
C. Assess credit risk of borrowers      D. All of the above
2. Firms that specialize in helping companies raise capital by selling securities are called \_\_\_\_\_.  
A. Commercial banks      B. Merchant banks  
C. Savings banks      D. Credit unions
3. All of the following are financial intermediaries' except \_\_\_\_\_.  
A. Commercial banks      B. Insurance companies  
C. Treasury      D. Mutual funds
4. Find out odd one.  
A. Fund based activity      B. Fee based activity  
C. Modern activities      D. Purchase of raw materials
5. Which of the following is not a function performed by a financial system?  
A. Saving function      B. Liquidity function  
C. Social function      D. Risk function
6. Which of the following is not a financial asset?  
A. Secured premium notes      B. National defence gold bond  
C. Bullion      D. Capital investment bond
7. The following one is a financial asset:  
A. Gold      B. Silver  
C. Share      D. Land
8. The following one is kind of fee based activity of a financial intermediary:  
A. Hire purchase financing      B. Leasing  
C. Capital issue management      D. Underwriting of shares
9. The process of managing the sales ledger of a client by a financial service company is called:  
A. Forfeiting      B. Factoring.  
C. Leasing      D. Securitization of debt

10. Which of the following is a short-term financial instrument?  
A. Treasury bill.  
B. Share of Tata Finance Ltd.  
C. Government bond with a maturity of 2 years.  
D. Residential mortgage.
11. Which of the following is traded in a money market?  
A. Preference shares      B. Mortgages  
C. Treasury bills      D. Common stocks
12. Which of the following is not a money market instrument?  
A. Corporate debentures      B. Call money  
C. Treasury bills      D. Commercial paper
13. The term .....refers financial investment in a highly risky and growth oriented venture with the objective of earning a high rate of return.  
A. Venture capital      B. Merchant banking  
C. Leasing      D. None of these
14. ....is needed for developing a product in the initial stages.  
A. Seed capital      B. Startup capital  
C. Second round financing      D. None of these
15. ....covers the entire range of services provided by a merchant banker.  
A. Project counseling      B. Corporate counseling  
C. Credit syndication      D. Market makers
16. The factor assumes credit risks associated with the.....  
A. Collection of accounts      B. Collection of securities  
C. Collect the fund      D. Collect the goods
17. The features of hire purchase:  
A. The possession of goods is given to the buyer immediately.  
B. The ownership in the goods remains with the vendor till the last installment is paid.  
C. The seller can repossess the goods in case of default in payment.  
D. All of these.
18. ABC Ltd. acquires 100% of Preference Share Capital of PQR Ltd. It would result in:  
A. Hostile Takeover bid      B. Vertical Merger  
C. Holding-subsidary relationship      D. No relationship
19. A firm can acquire target firm by:  
A. Purchasing assets of Target      B. Purchasing shares of Target  
C. Purchasing Assets or Shares      D. None of the above
20. PQR Ltd. is a profit making company. It is absorbed into another group company XYZ Ltd. which is a loss company. This is a case of:  
A. Hostile takeover bid      B. Horizontal Merger  
C. Reverse Merger      D. Takeover