

Code: 14E00308

MBA III Semester Supplementary Examinations July 2016

FINANCIAL INSTITUTIONS, MARKETS & SERVICES

(For students admitted in 2014 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

SECTION – A

Answer the following: (05 X 10 = 50 Marks)

- 1 In spite of suitable legislative measure, the Indian financial system remains weak. Comment.
- OR
- 2 What is RBI? Write the techniques and functions of RBI.
- 3 Explain the rationale of public sector banks. How does their functioning differ from that of other commercial banks?
- OR
- 4 What is mutual fund? Critically evaluate the SEBI (mutual fund) regulations, 1996.
- 5 Discuss the defects of Indian money market. How can they may be removed?
- OR
- 6 What is stock exchange? How do the operations on a stock exchange influence the economic life of the country?
- 7 Define factoring. Explain the functions and advantages of factoring.
- OR
- 8 Describe the process of selection of investments by venture capital institutions in India.
- 9 Discuss the drawbacks of the depository services and suggest measures to make it an efficient one.
- OR
- 10 Describe the working of credit rating agencies in India.

SECTION – B

(Compulsory Question)

01 X 10 = 10 Marks

11 **Case study:**

XYZ Ltd., is in the business of manufacturing steel utensils. The firm is planning to diversify and add a new product line. The firm either can buy the required machine or get it on lease.

The machine can be purchased for Rs.15,00,000. It is expected to have a life of 5 years with a salvage value of Rs.1,00,000 after the expiry of 5 years. The purchase can be financed by 20% loan repayable in 5 equal annual installments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year-end lease rentals of Rs.4,50,000 for 5 years. Advise the company on the option it should choose. For your exercise you may assume the following:

Questions:

- (a) The machine will constitute a separate block for depreciation purposes. The company follows WDV method of depreciation, the rate of depreciation being 25%.
- (b) Tax rate is 35% and cost of capital is 20%.
- (c) Lease rentals are to be paid at the end of the year.
- (d) Maintenance expenses estimated at Rs.30,000 p.a. are to be borne by the lessee.
