

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2016

CO 5402 – FINANCIAL SERVICES

Date: 25-04-2016

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

PART -A

ANSWER ALL THE QUESTIONS:

(10 x 2 = 20 marks)

1. Define Merchant Banking.
2. What is due diligence certificate?
3. What is 'Underwriting'?
4. What is Sale and Lease Back?
5. What is Securitisation?
6. What is Special Purpose Vehicle?
7. What is 'DEMAT'?
8. What is factoring commission?
9. Explain the term 'forfaiting'.
10. Expand: i) CRISIL ii) ASBA

PART-B

ANSWER ANY FOUR QUESTIONS:

(4 x 10 = 40 marks)

11. What are the stages involved in venture capital financing?
12. Differentiate between Financial Lease and Operating Lease?
13. Explain the securitization process followed by financial institutions for creating additional liquidity.
14. Explain the process of dematerialization?
15. Explain the various types of factoring?
16. State the features of hire purchase agreement?
17. State the advantages and disadvantages of forfaiting?

PART-C

ANSWER ANY TWO QUESTIONS

(2 x 20 = 40 marks)

18. Explain in detail the various functions of a merchant banker.
19. "In spite of suitable legislative measures, the Indian Financial system remains weak" – Explain the statement.

20. XYZ Ltd has been approached by a client to write a five years lease on an asset costing Rs.10,00,000 and having estimated salvage value of Rs.1,00,000 thereafter. The Company has a after tax required rate of return of 10% and its tax rate is 50%. It provides depreciation @ 33 1/3% on written down value of the asset. What lease rental will provide the company its after tax required rate of return?

21. A firm has total sales of Rs.80 lakhs and its average collection period is 80 days. The past experience indicates that bad debt losses are around 1% of the credit sales. The firm spends Rs.1,20,000 per year on administering its credit sales. This cost includes salary of one officer and two clerks who handle the credit checking, collection, etc. telephone and telefax charges.

A factor is prepared to buy the firm's receivables. He will charges 2% commission. He will advance against receivables to the firm at 18% after withholding 10% as reserve. What is the cost of factoring? Should the firm avail factoring service?

\$\$\$\$\$\$\$\$