



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2018

CO 5402- FINANCIAL SERVICES

Date: 10-05-2018
Time: 09:00-12:00

Dept. No.

Max. : 100 Marks

PART –A

ANSWER ALL THE QUESTIONS:

(10 X 2 = 20)

1. What is Merchant Banking?
2. What is venture capital?
3. What do you mean by 'Messanine capital'?
4. What is Leasing?
5. What is Special Purpose Vehicle (SPV)?
6. What is Securitisation?
7. What is De-materialisation?
8. What is factoring commission?
9. Explain the term 'Forfaiting'.
10. What is underwriting?

PART-B

ANSWER ANY FOUR QUESTIONS:

(4 X 10 = 40)

11. What are the stages involved in venture?
12. State the merits of securitization.
13. How does financial lease differ from operating lease?
14. Explain the process of De-materialisation.
15. State the advantages and disadvantages of forfaiting?
16. The turnover of X Ltd is Rs.100 lakhs of which 72% is on credit. Debtors are allowed one month's credit to clear of the dues. A factoring company is willing to advance 80% of the bills raised on credit for a fee of 1% per month plus a commission of 5% on the total amount of debts. X Ltd as a result of the arrangement is likely to save Rs.48,000/- annually in management costs and avoid bad debts by 1% on the credit sales.

A bank has approached to make an advance equal to 80% of the debts at an annual interest of 15%. However the processing will be 1% of the debts.

Would you accept factoring proposal or the offer from the bank?

17. What are the different steps involved in factoring finance?

PART-C

ANSWER ANY TWO QUESTIONS

(2 X 20 = 40)

18. Elaborate the various functions of a merchant banker?

19. Explain in detail the various types of leasing?

20. Explain the securitization process followed by financial institutions for creating additional liquidity?

21. X Ltd wants to acquire an asset costing Rs.1,00,000/- It has two options available, the first one is buying the asset by taking a loan repayable in five installments of Rs.20,000/- each with 14% interest per annum. The second is leasing the asset for which annual lease rental charge is Rs.30,000/- upto 5 years. The lessor charges 1% as processing fee in the first year. Assume the internal rate of return to be 10%. The present value factors are –

Year	1	2	3	4	5
P/V factor	0.909	0.826	0.751	0.683	0.621

Assuming that the payments are made at the end of the year, suggest which alternative is better for the company. The rate of depreciation is 15% which tax rate is 33.22%.
