

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – NOVEMBER 2013

CO 5402 - FINANCIAL SERVICES

Date : 18/11/2013
Time : 9:00 - 12:00

Dept. No.

Max. : 100 Marks

SECTION –A

Answer All the Questions

(10*2 =20)

1. Identify the components of financial system
2. Define financial services.
3. Who is the originator in the context of securitisation?
4. What is Pass Through Certificates?
5. State the purpose of seed capital.
6. Give two names of financial services provider.
7. Who is a depository?
8. What is Rematerialisation?
9. What is meant by factorage?
10. How does a credit rating service benefit the investors?

SECTION –B

Answer Any Five Questions

(5*8=40)

11. Describe the advantages of dematerialisation of shares to the investor.
12. Define venture capital. Explain the different types of financial assistance provided by the venture capitalist.
13. Explain the workings of securitisation process and state the advantages of it to the issuing company.
14. Define factoring. Distinguish between factoring and forfaiting
15. Explain the importance of financial services to the economic growth of a country.
16. The turnover of a company is Rs.12 lakh per month, of which 80% is on credit. Debtors are allowed one month to clear off their dues. A factor is willing to advance 90% of the bills raised on credit for a fee of 1.5%, plus an interest of 5% p.a. As a result of this arrangement, the company is likely to save Rs.4,000 per month in management costs and avoid bad debts at 0.5% on credit sales. However, Indian bank is willing to provide a bank

loan against receivable at an interest rate of 25% p.a. You are required to advise the company about the acceptance of factoring arrangement.

17. Describe the steps in obtaining forfaiting services and distinguish between factoring and forfaiting services

SECTION-C

Answer Any Two Questions

(2*20=40)

18. Xerox Ltd. can purchases an asset for Rs.2,500 having a life of 5 years and a salvage value of Rs.500. The firm provides depreciation on original cost. Its revenue is expected to increase by Rs.1,500 p.a and raise its operating expenses (excluding depreciation and interest) by Rs.700 p.a. The cost of capital is 10% and tax rate is 50%. The asset can also be leased for a yearly rental of Rs.650 p.a. The incremental revenue will be Rs.1,500 p.a. and its expected operating expenses is Rs.600.

Evaluate the lease proposal and advise the company about its acceptance.

19. Define leasing. Enumerate various types of leasing stating the merits of each of them with suitable examples.
20. Illustrate the workings of factoring services and explain the advantages of factoring.
21. Who is a merchant banker? Discuss the different categories of services provided by the merchant bankers in India.
