LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

FIFTH SEMESTER – NOVEMBER 2016

CO 5402 - FINANCIAL SERVICES

Date: 11-11-2016 Dept. No. Max. : 100 Marks
Time: 09:00-12:00

PART -A

ANSWER **ALL** THE QUESTIONS: **(10 X 2 = 20)**

1. What is right issue?

2. How do you categorise the merchant bankers?

3. What is book building?

4. Define venture capital.

5. What is lease?

6. What is meant by securitization?

7. What is 'REMAT'?

8. What is factoring?

9. What is forfaiting?

10. Expand: i) IPO ii) ESPP

PART-B

ANSWER ANY **FOUR** QUESTIONS: **(4 X 10 = 40)**

11. Explain the functions of merchant banking.

12. What are the stages involved in venture capital financing?

13. State the difference between Hire purchase and leasing.

14. Explain the process of dematerialization?

15. Explain the various types of factoring?

16. How does financial lease differ from operating lease?

17. Explain the present position of forfaiting in India.

PART-C

ANSWER ANY **TWO** QUESTIONS (2 X 20 = 40)

18. Explain in detail on the development and trends in merchant banking in India

19. Explain in detail the securitization process followed by financial institutions for creating additional liquidity.

20. India Motor Parts & Accessories 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.30,000upto 5 years. The lessor charge 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	.909	.826	.751	.683	.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 is15%while tax rate is 33.22%.

21. The turnover of SSD Oil Mills Ltd (SSD) is Rs.100 lakhs of which 72% is on credit. Debtors are allowed one month to clear off the dues. A factoring company is willing to advance 80% of the bills raised on credit for a fee of 1% a month plus a commission of 5% on the total amount of debts. SSD as a result of this arrangement is likely to save Rs.48,000 annually in management costs and avoid bad debts at 1% on the credit sales.

    A bank has come forward to make an advance equal to 80% of the debts at an annual interest rate of 15%. However, its processing fee will be at 1% on the debts. Would you accept factoring or the offer from the bank?

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