LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIFTH SEMESTER – **APRIL 2012**

# CO 5402 - FINANCIAL SERVICES

 Date : 30-04-2012 Dept. No. Max. : 100 Marks

 Time : 1:00 - 4:00

**SECTION – A ANSWER ALL QUESTIONS (10x2=20)**

1. What is scripless trade?
2. Indicate the role of SPV in securitization.
3. What is consortium finance?
4. Distinguish between financial turn around and management turn around.
5. Explain the concept of sale and lease back.
6. State any two benefits of securitization.
7. Mention the key elements of factoring.
8. How is seed capital helpful to the borrowing concern?
9. What are the reforms made by SEBI for the merchant banker?
10. Why is a due diligence certificate important?

**SECTION-B ANSWER ANY FIVE QUESTIONS (5X8=40)**

1. Explain the process of securitization.
2. Distinguish financial lease and operating lease.
3. Explain the importance of venture capital financing.
4. Explain the procedure in depository system.
5. State the responsibilities of merchant banker in Rights Issue.
6. Elucidate the process of forfaiting.
7. How is lease evaluated from the lessee and lessor point of view?
8. The turnover of A Ltd is Rs.60 lakhs of which 80% is on credit. Debtors are allowed 1 month to clear off their dues. A factor is willing to advance 90% of the bills raised on credit for a fee of 2% a month, plus a commission of 4% of the total amount of debts. A Ltd as a result of this arrangement is likely to save Rs. 21,600 annually in management costs and avoid bad debts at 1% on credit sales. A scheduled bank has come forward to make an advance equal to 90% of the debts at an interest of 18% p.a. However its processing fees will be at 2.5% on the debts. Suggest whether to accept factoring or the offer made by the bank?

**SECTION – C ANSWER ANY TWO QUESTIONS (2X20=40)**

1. What are the various functions of a merchant banker?
2. (a) Explain the types of factoring.

 (b) Write the merits and demerits of factoring.

 21. ABC Ltd wishes to acquire a computer costing Rs.1, 00,000. It is faced with two options. (a) To acquire the computer by taking a 15% p.a loan from HDFC bank repayable in five equal installments at the end of each year together with interest.

 (b) To acquire the asset at a lease rental of Rs. 320 per Rs. 1000 on the asset value payable at the end of each year for five years.

 If the tax rate is 50%, cost of capital is 16% and the asset has five years of life with a scrap value of 50% of the book value at the end of its life, which option would you recommend. Assume the company charges depreciation @ 20% p.a on WDV method.

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