

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2010

CO 5402 - FINANCIAL SERVICES

Date & Time: 29/04/2010 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

SECTION –A

Answer ALL questions

(10 x 2= 20)

1. What are the reforms made by SEBI to regulate Merchant Bankers?
2. How do you classify merchant bankers?
3. Define Seed Capital.
4. Distinguish between financial turn around and management turn around.
5. Write a note on factoring in India.
6. List out the key elements of factoring.
7. What do you mean by Tripartite Lease Agreement?
8. Give the meaning of forfeiting.
9. Write a note on Special Purpose Vehicle.
10. What is securitization?

SECTION –B

Answer any FIVE questions

(5 X 8 = 40)

11. State the role of a Merchant Banker in public issue.
12. Bring out the reasons for slow growth of venture capital in India.
13. Differentiate between financial lease and operating lease.
14. Briefly explain the legal aspects of factoring.
15. Describe the process of securitization.
16. Give an account of Venture Capital Institutions in India.
17. Write Short Notes on: (2 marks each)
 - (a) Defaults committed by Merchant Bankers
 - (b) Exit of Venture Capital
 - (c) Scripless Trading
 - (d) Drawbacks of factoring
18. M/s. Boomi Earth Movers (P) Ltd.(Lessee) has approached L&T Finance Ltd.(Lessor) to acquire an equipment on lease. The details of the lease agreement are as follows: (a) Cost of the equipment Rs.1000000 (b) Cost of Capital is 12% (c) Tax rate of the lessor is 40% (d) Salvage value (Straight Line Method) of the equipment after 5 years is Rs.200000 (e) Direct cost to the lessor is Rs.5000 payable at the end of first year and estimated administration expense is Rs.15000 p.a. The lessee has agreed to pay an annual rent of Rs.360000 for 5 years and a Security deposit of Rs.30000 which is refundable at the end of the lease term. The lessee has also agreed to pay a non-refundable fee of Rs.13500

payable at the time of inception of the lease. You are required to examine the proposal from the point of view of lessor.

Discount rate @ 12%: I Year 0.893, II year 0.797, III year 0.712, IV year 0.636 & V year 0.567

SECTION –C

Answer any TWO questions

(2 X 20= 40)

19. Explain the process of forfaiting. What are the merits and demerits of forfaiting?

20. What are the various functions of a Merchant Banker?

21. (a) Briefly explain the types of factoring. (12 marks)

(b)M/s. Jupiter Ltd., Sriperambattur has a total sales of Rs.60,00,000 p.a., of which 1/4th is on cash and the balance on credit. The average debt collection period is 1 month. The company has approached SBI Factors, Chennai Division who is willing to advance 75% of its bills raised on the following terms & conditions:

(i) Factoring fee shall be 4% per month

(ii) 3% commission payable on total amount of debts

As a result of this agreement, the company is likely to save Rs.3000 on its expenditure per month and can avoid bad debts to the extent of 2% on its credit sale.

In the mean time, I.O.B. has come forward to make an advance equal to 80% of the debts at an interest of 15% p.a. It also charges a documentation fee of 1.5% on the debts.

Would you recommend the offer made by SBI Factors or I.O.B.? Why? (8 marks)

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