

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

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

**FIFTH SEMESTER – NOVEMBER 2009**

**CO 5402 - FINANCIAL SERVICES**

Date & Time: 13/11/2009 / 1:00 - 4:00

Dept. No.

Max. : 100 Marks

**SECTION – A**

**Answer ALL questions**

**(10 x 2 = 20 )**

1. What are the criteria considered by SEBI in authorizing Merchant Banker?
2. Bring out the rationale of Regulation of the Merchant bankers
3. What is Due Diligence Certificate? In what it is an important document to the corporate?
4. **What is seed capital in venture capital?**
5. When a venture capitalist exits from a venture using Liquidation process?
6. How an Operating Lease differs from Financial Lease?
7. Why the NPV method is popular in Lease evaluation compared to other methods?
8. What are the charges involved in Factoring arrangement?
9. What is Fofaiting?
10. What is the need for Forfaiting?

**SECTION – B**

**Answer any FIVE questions**

**( 5 x 8 = 40 )**

11. Identify the factors considered by the Merchant Banker in Corporate Counselling?
12. Write a note on minor defaults of merchant bankers and penalty points involved.
13. Bring out the salient features of Venture capital financing.
14. Outline the features of Management Buy In.
15. Differentiate between Securitisation and Bonds & Debentures.
16. Draft the flow chart of a Forfaiting transaction.
17. What are the pricing used in Forfaiting transaction?

**18.** A Ltd. has total sales of Rs.3.2 crore and its average collection period is 90 days. The past experience indicates that bad debts losses are 1.5% on sales. The expenditure incurred by the firm in administering its receivable collection efforts are Rs.5,00,000. A factor is prepared to buy the firm's receivables by charging 2% commission. The factor will pay advance on receivables to the firm at an interest rate of 18% after withholding a 10% reserve. Calculate the effective cost of factoring to the firm. Assume a year 360 days.

**SECTION – C**

**Answer any TWO questions**

**(2 x 20 = 40)**

**19.** Bring out the (a) benefits of Factoring to the client, (b) benefits to the customers, (c) Issues Inhibiting the Growth of Factoring in India (d) Suggestions to remove the limitations.

**20.** What do you mean by Securitisation? Enumerate its merits. Identify the stages involved in Securitisation.

**21.** The controller of General Electronics Corporation of India has been analyzing the firm's policy regarding computers, which are now being leased on a yearly basis on rental amounting to Rs.1 lac per year. The computer can be bought for Rs.5 lacs. The purchase would be financed by 16% loan repayable in 4 equal annual instalments.

On account of rapid technological progress in the computer industry, it is suggested that a 4 year economic life should be used, instead of the 10 years physical life. It is estimated that the computer could be sold for Rs.2 lacs at the end of 4 years.

The company uses the straight line method of depreciation. Corporate tax rate is 50%.

(a) Comment on whether the equipment should be bought or leased?

(b) Analyse the financial viability from the point of view of the lessor, assuming 14% cost of capital.

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