



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

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

**FIFTH SEMESTER – NOVEMBER 2014**

**CO 5405/CO 5402 - FINANCIAL SERVICES**

Date : 12/11/2014  
Time : 09:00-12:00

Dept. No.

Max. : 100 Marks

**PART -A**

**ANSWER ALL THE QUESTIONS:**

**(10 x 2 = 20)**

1. What is secondary market?
2. What is meant by financial services?
3. What is 'Underwriting'?
4. How do you categorise the merchant bankers?
5. Define 'Venture Capital'.
6. What is operating Lease?
7. What is Securitisation?
8. What is meant by credit rating?
9. Explain the term 'forfeiting'.
10. Expand: i) OTCEI ii) ICRA

**PART-B**

**ANSWER ANY FOUR QUESTIONS:**

**(4 x 10 = 40)**

11. Explain the various laws enacted in India to regulate the functioning of financial services.
12. What are the stages involved in venture capital financing?
13. Differentiate the Lease from Hire-purchase.
14. Explain the securitization process with examples.
15. Explain the criteria for deciding credit rating of various financial institutions.
16. Describe the various types of factoring.
17. A firm has total credit sales of Rs.80 lakhs and its average collection period is 80 days. The past experience indicates that bad debts losses are around 1% of the credit sales. The firm spends Rs.1,20,000 per year on administering its credit sales. This cost includes salary of one officer and two clerks who handle the credit checking, collection, etc. telephone and telefax charges.

The factor is prepared to buy the firm's receivables. He will charge 2% commission. He will advance against receivable to the firm at 18% after withholding 10% as reserve. What is the cost of factoring? Should the firm avail factoring service?

**PART-C**

ANSWER ANY **TWO** QUESTIONS:

(2 x 20 = 40)

18. What do you mean by 'Financial System'? Explain the various components of financial system.
19. Discuss in detail on the development and trends in merchant banking in India.
20. Describe the different types of mutual funds from the point of view of investors and promoters.
21. SS 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.30,000/- upto 5 years. The lessor charges 1% as processing fee in the first year. Assume the internal rate of return to be 10%. The present value factors are:

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>P/V Factor</b>	<b>.909</b>	<b>.826</b>	<b>.751</b>	<b>.683</b>	<b>.621</b>

Assuming that the payments are made at the end of the year, suggest which alternative is better for the Company. The rate of depreciation is 15% while tax rate is 33.22%.

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