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P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution affiliated to VTU, Belagavi)

Third Semester, Master of Business Administration (MBA)

Semester End Examination; Dec - 2017/Jan - 2018

Financial Services and Banking

Time: 3 hrs *Max. Marks: 100*

***Note**: i) Answer all **FOUR** full questions from **PART-A** and **PART-B** (Case Study) is compulsory.*

ii) Use of Time Value tables is permitted.

PART - A

1 a.	Define Merchant Banking. Discuss SEBI guidelines for merchant banker.	10
b.	Explain in detail how technology helps the bank to achieve competitive advantage in the market.	10
	OR	
2 a.	Describe in detail the relationship between banker and customer.	10
b.	What is leasing? State the difference between financial lease and operating lease.	10
3 a.	Explain briefly the functions of bank.	5
b.	What are the advantages of core banking?	5
c.	What is securitization of debt? Explain its process.	10
	OR	
4 a.	Explain the pre issue and post issue activities related to issue management.	10
b.	Write short notes on: i) Internet Banking ii) Mobile Banking iii) RTGS iv) NEFT.	10
5 a.	Write short notes on: i) Cheque ii) Demand draft iii) Traveler's cheque iv) Universal banking.	10
b.	Explain the benefits of 'credit rating' to businesses and investor.	10
	OR	
6 a.	What is 'forfeiting'? What are the advantages of 'factoring'?	10
b.	Write a note on credit card. How it is different from debit card?	10
7 a.	Define money market. Explain in detail any four money market instruments.	10
b.	Elucidate about Depository service and state its benefits to investor and companies.	10
	OR	
8a.	What is credit rating? Describe its process.	10
b.	State and explain different securities used to raise capital from international markets.	10

PART – B (Compulsory)

9. **Case Study:**

ABC Ltd is in the business of manufacturing auto components. Some more product lines are being planned to be added to the existing sytem. The machinery required may be bought or may be taken on lease. The cost of machine is Rs.4000000 having a useful life of 5 years with the salvage value of Rs.800000. The machine can be financed at 20% loan repayable in five equal installments. Altenatively the machine can be procured on a lease rental of Rs.1200000 per annum. The company follows the written down value method of depreciation at the rate of 25%. Its tax rate is 35% and cost of capital is 16%. Advise the company which option it should choose. 20

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