



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

(An Autonomous Institution affiliated to VTU, Belgaum)

**Third Semester, Master of Business Administration (MBA)**

**Semester End Examination; Dec - 2016/Jan - 2017**

**Financial Services and Banking Practices**

*Time: 3 hrs*

*Max. Marks: 100*

*Note: i) Answer all **FOUR** full questions from **PART - A** and **PART - B** (Case study) is compulsory.  
ii) PV tables shall be allowed, scientific calculators shall be allowed.*

### PART - A

- 1 a. Explain the phases in evolution of banks in India. 10  
b. Explain the primary and secondary functions of Commercial bank. 10

### OR

- 2 a. With an example, describe the process of credit creation. 10  
b. Explain the role of commercial banks in Socio economic development. 10  
3 a. Discuss the different types of accounts which are offered by a banker. 10  
b. Define ALM. Elaborate the purpose and objectives of ALM. 10

### OR

- 4 a. Discuss the different services provided by the merchant banks in India. 10  
b. Write a note on:  
i) ADR      ii) GDR      iii) IPO. 10  
5 a. Explain the process of securitization of debt and mention the methods of securitizing the debt. 10  
b. Expand CRISIL. Explain the process of credit rating by CRISIL in India. 10

### OR

- 6 a. Define leasing. Explain the different types of leasing. 10  
b. Define Factoring. Differentiate between Factoring and discounting. 10  
7 a. Write a short note on the Depository services available in India. 10  
b. Explain the SEBI guidelines on services provided by stock brokering firms. 10

### OR

- 8 a. Mention the reasons for Dishonor of Cheque. 10  
b. Write a note on REPO and Reverse REPO. Comment how the inflation can be controlled by RBI through REPO and Reverse REPO. 10

**PART - B (Compulsory)****9. Case Study:**

Evergreen Pvt. Ltd. is considering the possibility of purchasing a multipurpose machine which cost Rs. 10.00 lakhs. The machine has an expected life of 5 years. The machine generates Rs. 6.00 lakhs per year before Depreciation and Tax, and the Management wishes to dispose the machine at the end of 5 years which will fetch Rs. 1.00 lakh. The Depreciation allowable for the machine is 25% on written down value and the Company's Tax rate is 50%. The company approached a NBFC for a five year Lease for financing the asset which quoted a rate of Rs. 28 per thousand per month.

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The Company wants you to evaluate the proposal with purchase option. The cost of capital is 12% and for lease option it wants you to consider a discount rate of 16%.

	0	1	2	3	4	5
PV @ 12%	1.000	0.893	0.797	0.712	0.636	0.567
PV @ 16%	1.000	0.862	0.743	0.641	0.552	0.476

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