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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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