PVP 17

Code: **17BA3T6FA**

II MBA - I Semester-Regular Examinations – November 2018

FINANCIAL MARKETS AND SERVICES

Duration: 3 hours | Max. Marks: 60

SECTION - A

1. Answer the following: 5 x 2 = 10 M

a) What are the money market instruments?
b) Summaries about Non-Banking Financial Companies.
c) What do you mean by Industrial development bank of India?
d) How would you describe about venture capital financing?
e) What can you say about portfolio management?

SECTION – B

Answer the following: 5 x 8 = 40 M

2\. a) Explain the Nature and Scope of Financial System.

(OR)

b) Who were the Financial Intermediaries? Explain their role in the Financial System.

3\. a) Discuss the important functions of Commercial Banks. Explain the part played by them in the Economic Development of a Country.

(OR)

b) Explain the functions of a Central Bank as the banker of the Government.

4. a) What are the Development Finance Institutions? How are they classified?

(OR)

b) What are the different types of Pension Plans available in India?

5. a) Explain role of Credit Rating Agencies in the Financial Market.

(OR)

b) What are the advantages and disadvantages of Lease Financing?

6. a) Explain Nature and Scope of merchant Banking?

(OR)

b) Discuss role of SEBI for regulating the Primary and Secondary Market.

SECTION-C

7. Case Study **1x10=10 Marks**

Teddy Bear Ltd is in the business of making toys of different ranges. Presently, teddy bear has one manufacturing plant having production capacity of 30,00,000 toys annually. They are sold through registered dealers. In India who take delivery of toys directly from the factory situated in NOIDA. Teddy bear does not incur any transport cost.

The demand for toys has shown tremendous growth in recent years. The vice president marketing Sanjay Khanna, has submitted a proposal to the CEO, Bikrant Kumar Singh, to expand the production capacity of teddy bear to 40,00,000 toys. The CEO directs the vice president, manufacturing, Virender Kumar Rathi, to put a proposal regarding the availability of the required equipment for the expansion of the plant. A survey shows that the machinery is available for Rs.12.5 crore having a useful life of the five years and no salvage. Assume straight line depreciation for tax purposes. It also shows that there are two alternatives to finance the proposal. The equipment can be bought and financed by borrowing from the udharwala financial services ltd, at 10 percent interest. The equipment can be alternatively taken on lease from the first leasing company of India Ltd at Rs.3.5 crore annual lease rentals. The first leasing would bear the associated taxes, insurance and maintenance cost amounting to Rs.60,00,000 annually.

Find out:

1) Bikrant Singh engages you as a financial consultant to advise him on the choice of the funding alternatives.
2) Should Teddy Bear buy the equipment through borrowing or acquire it on lease. What advice would you give and why? (Assume 30 per cent corporate tax)