MANAGEMENT 
Paper – 3.3.1/3 7.3 : ndian Financial System

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer any five of the following questions. Each question carries 5 marks. (5×5=25)

1. Explain in brief the overview of Indian Financial System.

2. Explain the objectives and functions of Industrial credit and Investment Corporation of India.

3. Discuss the structure of the insurance industry in India.

4. Discuss the role of Non-Banking Financial Institutions in the development of Indian economy.

5. Explain the constituents of financial markets.

6. Discuss in brief the different types of financial services.

7. Explain the steps in trading in the stock exchange.

SECTION – B

Answer any three of the following questions. Each question carries 10 marks. (3×10=30)

8. What is Merchant Banking? Discuss in detail the various functions performed by merchant bankers.

9. Explain the various methods adopted by corporate entities for marketing the securities in the New Issues Market.

10. Discuss the role and functions of a stock exchange.

11. Explain in detail the various schemes of mutual funds in India.
12. Case Study:

R Ltd., a manufacturing company needs a generator for its activities. The cost is Rs. 1,00,000. On making enquires it is learnt that the company has two options. The first one is buying the asset by taking a loan of Rs. 1,00,000 repayable in five equal installments of Rs. 20,000 each along with interest @ 12% per annum. The second option is leasing the asset for which annual lease rental is Rs. 30,000 up to five years. The lessor charges 1% as processing fees in first year. As the tax manager advise the company management on the better option to be selected. Assume tax rate as 33.063% and discount factor as 10%.
SECTION – A

Answer any five of the following questions. Each question carries five marks. (5x5 = 25)

1. What is financial system? Discuss in brief the components of formal financial system.
2. Discuss the objectives and functions of IFCI.
3. Discuss the changing trends in Life Insurance in India.
4. What are Non Banking Financial Companies? State the principal businesses of NBFCs in India.
5. Discuss the role and functions of financial markets.
7. Explain the various types of capital market instruments.

SECTION – B

Answer any three questions. Each question carries 10 marks. (3x10 = 30)

8. What are mutual funds? Explain the different types of mutual fund schemes.
9. What are the services provided by a stock exchange? Discuss the distinctive features of stock markets in India.

P.T.O.
10. What is money market? Explain the different types of money market instruments.

11. What is credit rating? Explain the methodology used by rating agencies while rating equities.

SECTION – C

12. Compulsory. Case study. \((1 \times 15 = 15)\)

DLP Pvt. Ltd. is considering the possibility of purchasing a multipurpose machine which cost Rs. 10 lakhs. The machine has an expected life of 5 years. The machine generates Rs. 6 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 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. The company wants you to evaluate the proposal with purchase option. The cost of capital of the company is 12% and for lease option it wants you to consider a discount rate of 16%.

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III Semester M.B.A. Degree Examination, February 2016
(CBCS) (2014-15 and Onwards)
Management
Paper – 3.3.1 : INDIAN FINANCIAL SYSTEM

Time : 3 Hours  Max. Marks : 70

SECTION – A

Answer any five of the following questions. Each question carries five marks. (5x5=25)

1. Explain the functions of EXIM Bank of India.
2. Discuss the objectives and functions of IDBI.
3. Explain the role of Unit Trust of India.
4. Discuss the role of financial system in the development of an economy.
5. What are the steps in securities trading?
6. Write note on credit rating agencies in India.
7. Give an overview of Global financial system.

SECTION – B

Answer any three questions. Each carries 10 marks : (3x10=30)

8. Discuss the role and functions of stock exchange.
9. Discuss the characteristics and broad categories of Financial Institutions.
10. Explain the role and functions of Merchant Bankers.
11. Write short notes on:
    1) Call Money
    2) Commercial paper
    3) Treasury bells
    4) Certificate of deposits

P.T.O.
12. **Compulsory Case Study**

Alfa Ltd. is thinking of installing a computer. Decide whether the computer is to be purchased outright (through 15% borrowing) or to be acquired on lease rental basis. The rate of income-tax may be taken at 40%. The other data available are as under:

**Purchase of Computer**

- **Purchase price**: Rs. 20,00,000
- **Annual maintenance (to be paid in advance)**: Rs. 50,000 per year
- **Expected economic useful life**: 6 years
- **Depreciation (for tax purposes)**: Straight line method
- **Salvage value**: Rs. 2,00,000

**Leasing of Computer**

- **Lease charges to be paid in advance**: Rs. 4,50,000
- **Maintenance expenses to be borne by lessor**

Payment of loan: 6 year-end equal installments of Rs. 5,28,474

**Note**: Present value of Re. 1 for six years

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