

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 03 – EXAMINATION – SUMMER 2017

Subject Code: 2830202

Date: 11/05/2017

Subject Name: MANAGEMENT OF FINANCIAL SERVICES (MFS)

Time: 02.30 PM TO 05.30 PM

Total Marks: 70

Instructions:

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**

Q-1 (a)(1) _____ defines what the organizations wants to become in the longer term and wants to go to fulfil its purpose and achieve its mission. **(06)**

- A. Objective
- B. Goal
- C. Strategy
- D. Aim

(2) One of the following is a time - cost trade - off option.

- A. CAT schedule
- B. Commitment control
- C. Most efficient plan
- D. line of Balance

(3) The ratio that indicates the extent of ability of the borrower in repayment of principle and interest is

- A. Interest coverage ratio
- B. Proprietary ratio
- C. Debt - equity ratio
- D. Debt service coverage ratio

(4) If greater risk is associated with receiving of future economic benefit, the _____ discount rate is adopted

- A. Lower
- B. Normal
- C. Higher
- D. Positive

(5) SEBI imposes a blanket restriction on all short sales to prevent speculation in stocks. This will cause the market efficiency to:

- A. Increase
- B. Decrease
- C. No change
- D. None of the above

(6) Debt funds are raised in form of

- A. Debentures
- B. Bonds
- C. Term loans
- D. All of the above

Q-1 (b)(1) Meaning of Capital Budgeting? **(04)**

(2) Explain Business Risk & Financial risk?

(3) Kinds of capital market.

(4) Functions of SEBI in stock market.

Q-1 (c) Discuss the functions of money market? **(04)**

Q-2 (a) Define "Mutual Fund" as per SEBI .Describe index funds and exchange Traded funds. **(07)**

(b) Distinguish between Primary and Secondary market .What are recent development in India **(07)**

Or

(b) Describe in Brief the Venture Capital Financing Process. **(07)**

Q-3 (a) briefly explain the Role Played by the Securities and Exchange Board of India in the Securities market as a regulator as well as developer of the Capital Market? (07)

(b) What is Hire –Purchase? How is it different from Installment Sale or Leasing? (07)

Or

(a) Discuss international factoring and its types. (07)

(b) Explain the concept of depository .Also discuss its important functions? (07)

Q-4 (a) Explain the various eligibility criteria prescribed by SEBI for Initial Public Offering. (07)

(b) Who can be a credit card holder? What are various types of credit cards? (07)

Or

(a) Discuss the role of IRDA in regularity the insurance sector in India? (07)

(b) Mention the situations favourable for Forfeiting and also the benefits of forfeiting.(07)

Q-5 (a) A company has a choice of investments between several different equity oriented mutual funds. The company has an amount of RS. 1 crore to invest. The details of the mutual funds are as follows (14)

Mutual fund	A	B	C	D	E
Beta	1.6	1.0	0.9	2.0	0.6

Required:

- I. If the company invests 20% of its investment in the first two mutual funds and an equal amount in the mutual funds C, D, and E, what is the portfolio ?
- II. If the company invests 15% of its investment in C, 15% in A, 10% in E and the balance in equal amount in the other two mutual funds, what is the beta of the portfolio ?
- III. If the expected return of market portfolio is 12% at a beta factor of 1.0, what will be the portfolios expected return in both the situations given above.

OR

Q-5 (b) X Limited is considering the acquisition of a personal computer costing Rs. 50,000. (14)

The effective life of the computer is expected to be five years. The company plans to acquire the same either by borrowing Rs. 50,000 from its bankers at 15 per cent interest per annum or by lease. The company wishes to know the lease rentals to be paid annually which will match the loan option. The following further information is provided to you:

- (a) The principal amount of the loan will be paid in five annual equal installments.
- (b) Interest, lease rental, principal repayments are to be paid on the last day of each year.
- (c) The full cost of the computer will be written off over the effective life of computer on a straight line basis and the same will be allowed for tax purposes.
- (d) The company's effective tax rate is 40 per cent and the after tax cost of capital is 9 per cent.
- (e) The computer will be sold for Rs. 1,700 at the end of the fifth year. The commission on such sales is 9 per cent on the sale value and the same will be paid.

Compute the annual lease rental payable by X Limited which will result in indifference to the loan option. Discount factors: .92, .84, .77, .71, .65.
