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2022

BINA CHOWDHURY CENTRAL LIBRARY  
(GIMT & GIPS)  
Azara, Hatkhowapara,  
Guwahati - 781017

M.B.A. 4<sup>th</sup> Semester End-Term Examination  
MANAGEMENT OF FINANCIAL SERVICES  
(New Regulation)

Full Marks – 70

Time – Three hours

The figures in the margin indicate full marks for the questions.

Answer Question No.1 and any *four* from the rest.

1. Choose the correct answer: (10 × 1 = 10)
- (i) Which of the following is NOT an Asset Management Company?  
(a) Leasing companies (b) Post Offices  
(c) Mutual funds (d) Merchant bankers
- (ii) Which of the following is/are service(s) rendered by financial services organisations?  
(a) Bill discounting (b) Credit rating  
(c) Factoring (d) All of the above
- (iii) The benefit of tax shield on lease rental payment is enjoyed by  
(a) Lessor (b) Lessee  
(c) Financer (d) None of the above
- (iv) In case of finance lease, the lessor recovers a substantial amount of the cost of the asset during \_\_\_\_\_ lease period.  
(a) Primary (b) Secondary  
(c) Tertiary (d) None of the above
- (v) In hire purchase arrangement, the buyer gets the legal ownership of the asset/good  
(a) On payment of the first instalment  
(b) On payment of the last instalment  
(c) The ownership remains with the seller only  
(d) None of the above

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- (vi) Bills that accompany documents of trade and delivered to the drawee against his acceptance is called
- (a) D/A Bill (b) D/P Bill  
(c) Clean Bill (d) Letter of Credit
- (vii) \_\_\_\_\_ covers a similar/homogenous group of individuals under a single plan.
- (a) Term insurance (b) Whole life policy  
(c) Endowment policy (d) Group insurance
- (viii) The essence of \_\_\_\_\_ is the acceptance of deposits from the public with the facility of withdrawal of money by cheques.
- (a) Bill discounting (b) Insurance  
(c) Banking (d) Merchant banking
- (ix) In case of debenture rating symbols given by CRISIL, which among the following symbols indicate the highest safety?
- (a) A (b) BBB  
(c) B (d) C
- (x) Credit rating aims at providing an opinion on the relative credit risk (or default risk) associate with
- (a) Company (b) Financial instrument  
(c) Industry (d) All of the above

2. (a) Discuss financial services and its characteristics. (2+5=7)  
(b) Elaborate the various financial services offered by the asset and liability management companies in India. (8)
3. (a) Assume that First Leasing Ltd. has structured a leveraged lease with an investment cost of Rs.80 crore. The investment is to be financed by equity from it and loan from the Bank in the ratio of 1:1. The interest on loan may be assumed to be 20 per cent per annum to be repaid in five equated annual instalments. If the required rate of return (gross yield) of the firm is 18 per cent, calculate (i) the equated annual installment payable to the Bank and (ii) the annual lease rental to be charged. (2+5=7)  
(b) The Pioneer Leasing Company has procured a Machine (details of which are given below) and intends to lease out the machine. The following data relate to the Company (8)
- (i) Investment outlay – Rs.100 crore  
(ii) Pre-tax required rate of return, 12 per cent per annum

(iii) Primary Lease period – 5 years

(iv) Residual value (after primary lease period) – Nil

Calculate the alternative lease rental structures based on the following assumptions

(a) Equated/Level lease rental

(b) Stepped lease rental (10 per cent increase per annum)

(c) Ballooned lease rental (annual rental of Rs.10 lakh for years, 1-4)

(d) Deferred lease rental (deferment period of 2 years)

4. (a) Discuss the meaning and characteristics of hire-purchase. How does it differ from instalment payment? (2+3+2=7)

(b) Zenith Finance is into bill discounting service and discounts the bills of exchange of its clients at the rates specified below – (8)

(i) Letter-of-credit backed Bills 24 per cent per annum

(ii) Clean Bill 30 per cent per annum

Compute the effective annual rate of interest implicit in the two types of bills, assuming that the usance period of (1) 60 days for the Letter of credit backed bill and (2) 90 days for the Clean bill. Value of the bill is Rs. 1,00,000.

5. (a) What is group life insurance? What is the benefit of group insurance as compared to individual insurance from an employer's point of view? Also discuss the group insurance schemes available in India. (3+2+3=8)

(b) What is liability insurance? Discuss the types of liabilities covered under 'liability insurance'. (2+5=7)

6. (a) Discuss the main features of (i) demand (ii) term and (iii) hybrid deposits. (7)

(b) What is credit rating? Elaborate the advantages of credit rating to (i) investor and (ii) issuer. (2+3+3=8)

7. Write short notes on (any three) : (3 × 5 = 15)

(a) Lease Financing vs. Hire-purchase financing

(b) Advantages of bills discounting

(c) RBI and its roles

(d) Retail banking channels

(e) Credit rating agencies in India

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