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**BA 17240 F 3**

Roll No. of candidate 

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**2020**

**M.B.A. 4th Semester End-Term Examination**

**MANAGEMENT OF FINANCIAL SERVICES**

**(New Regulation)**

Full Marks – 50

Time – Two hours

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

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

1. Fill up the blanks: Answer any *five* of the following questions : (5 × 1 = 5)
  - (i) \_\_\_\_\_ is the consideration which the lessee pays to the lessor for the lease transaction.
  - (ii) Net advantage of leasing (NAL) is the decision criteria in \_\_\_\_\_ evaluation.
  - (iii) From the point of view of the lessor, the \_\_\_\_\_ is the minimum rental which he can accept in lieu of leasing the equipment.
  - (iv) \_\_\_\_\_ is a kind of transaction in which the goods are let on hire with the option to the hirer to purchase them.

**[Turn over**

- (v) \_\_\_\_\_ is an instrument in writing containing an unconditional order to pay a certain amount of money to a specified person.
- (vi) In insurance, \_\_\_\_\_ policy is a plan in which claims may arise either by death or by maturity.
- (vii) The plastic card that allows its holder to buy goods/services on credit from approved sales outlets and to pay at fixed intervals through the bank is called a \_\_\_\_\_.
- (viii) \_\_\_\_\_ banking is a part of banking that offers products/services to individual customers.
- (ix) \_\_\_\_\_ is the procedure to establish the identity and residential address of the depositor(s) by specified documentary evidence.
- (x) A corporate body engaged in the business of rating securities is called a \_\_\_\_\_.

2. (a) Define financial services and explain their functions. 2+5=7
- (b) Discuss the different types of financial services offered in the market. Also discuss the constituents of financial service sector. 4+4=8
3. (a) Define lease. How would you differentiate between an operating and finance lease? 1+2=3
- (b) The following details relate to an investment proposal of the XYZ Ltd. - 12

Investment outlay – Rs.180 lakhs

Useful life – 3 years

Net salvage value after 3 years – Rs.18 lakhs

Annual tax relevant rate of depreciation – 40 per cent.

The firm has two alternatives to choose from to finance the investment –

**Alternative I:** Borrow and buy the equipment. The cost of capital of the firm is 12%, marginal rate of tax is 35% and the cost of debt is 17% per annum.

**Alternative II:** Lease the equipment from First Leasing Ltd. on a 3-year full payment basis @ Rs.444/Rs.1,000 payable annually in arrear.

Which alternative should XYZ Ltd, choose? Why?

4. (a) Discuss the meaning and characteristics of Hire-purchase option. 3
- (b) Explain the process of creation of a 'Bill of exchange'. 5
- (c) Dhanalakshmi Finance discounts the bills of its clients at the rate specified below - 7
- (i) L/C-backed bills – 12 per cent per annum
- (ii) Clean bills – 15 per cent per annum.

You are required to compute the annualised effective rate of interest implicit in the two types of bills by assuming usance period of (1) 90 days for the L/C-backed bill and (2) 60 days for the clean bill. The value of the bill is Rs.1,00,000.

5. (a) Discuss the role of banks in mobilising resources in the economy. 5
- (b) Discuss the functions of the Reserve Bank of India. 5
- (c) What are the channels of Retail Banking Services in India? 5
6. (a) Discuss the fundamental principles that govern insurance products. 7
- (b) Distinguish between life and general insurance. Also discuss the four main types of life insurance policies. 4+4=8
7. Write Notes on (Any THREE) 3×5=15
- (a) Features of financial services
- (b) Single investor lease and leveraged lease
- (c) Lease financing vs. hire-purchase financing
- (d) Essential elements of hire-purchase agreement
- (e) Benefits of credit rating.
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