

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER III – EXAMINATION – SUMMER 2016

Subject Code: 2830202

Date: 06/05/2016

Subject Name: Management of Financial Services (MFS)

Time: 10:30 AM to 01:30 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). Answer the following MCQs by selecting a correct answer from the following given choices: (6 marks)

(i). _____ is the regulatory authority of insurance business.

- | | |
|---------|-----------|
| a. NSDL | b. SEBI |
| c. IRDA | d. NABARD |

(ii). _____ provides existing shareholders to have a privilege to buy specified number of new shares from the firm at a specified attractive price within a specified time.

- | | |
|----------------------|----------------|
| a. General offer | b. Right issue |
| c. Competitive offer | d. None |

(iii) Which of the following is/ are included as the instruments of monetary policy?

- | | |
|----------------------|-------------|
| a. Call market | b. T- Bills |
| c. Commercial papers | d. All |

(iv) Bill drawn outside India and is drawn on person residing outside India, payable outside or in India is called _____.

- | | |
|---------------------|-----------------|
| a. Documentary bill | b. Foreign bill |
| c. Inland bill | d. Clean bill |

(v) A commodities or securities market, in which goods are sold for cash and delivered immediately.

- | | |
|---------------------------------|--------------------------------|
| a. Spot exchange transaction | b. Future exchange transaction |
| c. Forward exchange transaction | d. None |

(vi) Banking reforms aim at _____.

- | |
|--|
| a. Restoring financial health of the banks |
| b. Increasing profitability |
| c. Rationalizing banking presence |
| d. All |

Q1 (b). Explain the meaning of the following terms.

(4 marks)

- (i) Hire- Purchase
- (ii) Cash reserve ratio
- (iii) Certificate of deposits
- (iv) Secondary market

Q 1 (c). Discuss financial services in brief.

(4 marks)

Q 2 (a). What do you understand by financial exclusion and how it is different from financial inclusion.

(7 marks)

Q2 (b) “Financial system is a set of complex and closely inter- related structure of financial institutions, markets, instruments and services.” Do you agree with the given statement? If so, justify.

(7 marks)

Or

Q2 (b) “Monetary policy is the management of money supply and interest rates by central banks to control prices.” Justify the statement by discussing the tools and techniques of monetary policy.

(7 marks)

Q3 (a). Define capital market in brief? Discuss properly various instruments of capital market.

(7 marks)

Q3 (b). “Merchant Bankers play a vital role in issue management activity.” By means of the given statement discuss the pre and post issue obligations of merchant bankers.

(7 marks)

Or

Q 3 (a). Explain securitization and the mechanism of securitization?

(7 marks)

Q 3 (b). “In financial market, it is possible that information irregularity could exist and market participants may not know all about the issuers of financial instruments or borrowers and the concerned risk levels.” In the light of the given statement discuss how credit rating is significant to the investors and issuers both.

(7 marks)

Q4 (a) Elaborate the concept of leasing in brief and discuss properly the elements of a lease.

(7 marks)

Q4 (b) “Factoring is often referred as a method of short term financing as well as a financial service that takes care of administration of receivables of a firm.” With respect to this statement explain how factoring operates?

(7 marks)

Or

Q4 (a) Describe Letter of Credit, with the parties involved in it and its types.

(7 marks)

Q4 (b). “Through Bancassurance strategy two related sectors can get integrated and can reap the synergistic benefits.” Justify the concept of Bancassurance with reference to the given statement.

(7 marks)

Q5. Attempt any one of the following two cases:

(14 marks)

(a). Every company needs funds and financial assistance in order to build up itself in the market successfully. Compulink Systems' first product, Project By Net, which morphed into an enterprise tool, helped integrate products and processes in any organisation although primarily focused on software companies. Three versions later, Compulink is set to grow in several areas, emphatically retaining its product focus. With a size of revenues of Rs 5.5 crore

in 2002-03, it has moved to practices of a larger company by appointing an advisory board. This step has taken its product's direction in a global setting. Compulink's next move is to launch Version 4 of its existing product, which adds a new product to its range which is a business management tool while simultaneously going overseas, using the time-tested partnership route. These activities received a boost with the recent infusion of Rs 4 crore venture capital from SIDBI's Venture Capital arm. The investment is based on future performance and is in the form of convertible preference shares. Meanwhile, Compulink is also looking at strategic investment of US \$ 5-10 million in the next few months. Venture capital investment concept is a boon to such companies that do not have a background to start running on its own. SIDBI Venture Capital arm has rendered the monetary support provided in the form of capital for a business plan that is at the starting level and promises greater business potential.

Q1. Justify how Venture Capital companies play a pivotal role in providing commercial support to new ideas and adoption of new techniques in business with reference to the above given case. (7 marks)

Q2. What are the benefits that a company like Compulink Systems can get from a venture capital firm? Are there any type of disadvantages too that can occur? (7 marks)

Or

(b). Mrs. And Mr. Mathur retired from a private company, were staying in their bungalow constructed on a sprawling one acre land on the river side. Since they were employed in a private company they were not eligible for the pension. The retirement benefits which they got from the company had been fully utilised for construction of the house and completing the education of their only son. Mr. Mathur was attending to some part time job, but because of ill health he could not continue the job. Their son could not support them much since he had to live in an apartment at his work place and meet the related expenses. Mr. Mathur happened to read the budget speech of Hon'ble Finance Minister in which he had mentioned a scheme for senior citizens for raising finance by creating reverse mortgage.

Q1. Mr. Mathur wanted to know more about this scheme and from where he can avail this facility? As a financial consultant advise Mr. Mathur suitably. (7 marks)

Mr. Mathur has a neighbour, Mr. Bose, who is general manager in a company and wanted his son Roshan to pursue MBA from any of the IIMs, after his engineering graduation. Roshan came out with top score in CAT and got a call letter from IIM Ahmedabad. He preferred to join it and wanted to avail education loan for his studies. He also approaches you for an advise.

Q2. As a financial consultant explain the educational loan scheme to him. (7 marks)