



PG – 819

III Semester M.B.A. (Day) Examination, February/March 2014  
(2007-08 Scheme)

MANAGEMENT

F-2 : Financial Markets and Intermediaries

Time : 3 Hours

Max. Marks : 75

- Instructions :** 1) Answer *all* Sections.  
2) Marks are indicated against *each* Section.

SECTION – A

1. Answer **any six** of the following sub-questions. **Each** sub-question carries **two** marks. (6×2=12)
- Define a Financial System.
  - What do you understand by Universal Banking ?
  - What is Rematerialisation ?
  - What is meant by Private Placement ?
  - What is Commercial Paper ?
  - Define Venture Capital.
  - State the objectives of Monetary Policy.
  - What is a Credit Rating ?

SECTION – B

- Answer **any three** of the following questions. **Each** question carries **eight** marks. (3×8=24)
- What are the different markets to be found in the financial system and state their functions ?
  - Explain the role played by financial system in the economic development of a country.
  - Analyse the different types of mutual funds and give examples.
  - Write a note on the money market instruments.
  - Discuss in brief the different methods of marketing in a new issues market.

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## SECTION – C

Answer **any two** of the following questions. **Each** question carries **12** marks.

(2×12=24)

7. Who is a Merchant Banker ? State the general obligations and responsibilities of a merchant banker.
8. Discuss the different categories of derivatives available for trading in a financial market.
9. Write a short note on :
  - a) Reserve Bank of India
  - b) Custodian and depository services.

## SECTION – D

(Compulsory)

## 10. Case study.

(1×15=15)

ABC Ltd. is considering a proposal to acquire an equipment costing Rs. 5,00,000. The expected effective life of the equipment is 5 years. The company has two options-either to acquire it by obtaining a loan of Rs. 5 lakhs at 12% interest p.a. or by lease. The following additional information are available :

- i) the principal amount of loan will be repaid in 5 equal yearly instalments.
- ii) the full cost of the equipment will be written off over a period of 5 years on straight line basis and it is to be assumed that such depreciation charge will be allowed for tax purpose.
- iii) the effective tax rate for the company is 40% and the after tax cost of capital is 10%.
- iv) the interest charge, repayment of principal and the lease rentals are to be paid on the last day of each year.

You are required to work out the amount of lease rental to be paid annually, which will match the loan option. The discount factor at 10% are as follows :

Year	1	2	3	4	5
Discount factor	0.909	0.826	0.751	0.683	0.621