

(b) What are Financial System Designs? Explain any two. (5)

2. (a) Elaborate the Book Building Process for IPOs. (10)

(b) What do you understand by E-IPO? (5)

3. MobiRevolution Pvt. Ltd. manufactures high end smart phones. They are planning to add new products in their portfolio for which they are evaluating whether to buy or lease an equipment. The equipment can be bought for Rs. 20,00,000 and is expected to have a useful life of 5 years with a salvage value of Rs. 1,50,000. The purchase can be financed by a 15 percent loan repayable in 5 equal annual installments including interest payable at the end of each year. Alternatively, it can be taken on annual year end lease rentals of Rs. 8,00,000. The machine is depreciated on Written Down Value Method at the rate of 20 percent, tax rate is 20 percent, cost of capital is 12 percent. Advise the company, whether they should buy or lease the equipment. (15)

Present Value and Future Value Tables

Table A-3 Present Value Interest Factors for One Dollar Discounted at k Percent for n Periods: $PVIF_{k,n} = 1/(1+k)^n$

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	20%	24%	28%	30%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.9009	0.8929	0.8850	0.8772	0.8696	0.8621	0.8333	0.8065	0.8000	0.7832
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.8115	0.7972	0.7831	0.7695	0.7561	0.7432	0.6944	0.6584	0.6400	0.5917
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7312	0.7118	0.6931	0.6750	0.6575	0.6407	0.5707	0.5245	0.5120	0.4582
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6587	0.6355	0.6133	0.5921	0.5718	0.5523	0.4623	0.4230	0.4096	0.3501
5	0.9515	0.9057	0.8626	0.8213	0.7815	0.7433	0.7074	0.6738	0.6424	0.6131	0.5857	0.5604	0.5369	0.5154	0.4957	0.4776	0.4013	0.3611	0.3477	0.2829
6	0.9420	0.8880	0.8375	0.7893	0.7432	0.7000	0.6597	0.6212	0.5844	0.5493	0.5158	0.4837	0.4530	0.4236	0.3954	0.3684	0.3250	0.2830	0.2696	0.2072
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6654	0.6227	0.5825	0.5447	0.5094	0.4755	0.4429	0.4116	0.3815	0.3526	0.3249	0.2786	0.2376	0.2242	0.1654
8	0.9235	0.8535	0.7904	0.7317	0.6772	0.6258	0.5765	0.5292	0.4838	0.4403	0.3986	0.3586	0.3201	0.2829	0.2470	0.2124	0.1733	0.1315	0.1181	0.1225
9	0.9143	0.8383	0.7696	0.7058	0.6463	0.5938	0.5433	0.4947	0.4480	0.4041	0.3619	0.3214	0.2824	0.2448	0.2095	0.1754	0.1324	0.0905	0.0771	0.0442
10	0.9053	0.8243	0.7500	0.6813	0.6168	0.5623	0.5098	0.4591	0.4102	0.3631	0.3177	0.2737	0.2310	0.1896	0.1494	0.1101	0.0651	0.0232	0.0098	0.0000
11	0.8963	0.8103	0.7300	0.6563	0.5868	0.5313	0.4778	0.4261	0.3762	0.3280	0.2815	0.2364	0.1926	0.1500	0.1086	0.0682	0.0212	0.0000	0.0000	0.0000
12	0.8874	0.7963	0.7100	0.6323	0.5588	0.4983	0.4448	0.3929	0.3426	0.2939	0.2467	0.2008	0.1561	0.1125	0.0700	0.0286	0.0000	0.0000	0.0000	0.0000
13	0.8787	0.7826	0.6900	0.6083	0.5328	0.4683	0.4138	0.3619	0.3116	0.2628	0.2155	0.1696	0.1251	0.0819	0.0399	0.0000	0.0000	0.0000	0.0000	0.0000
14	0.8700	0.7699	0.6700	0.5843	0.5068	0.4393	0.3818	0.3299	0.2796	0.2307	0.1832	0.1371	0.0924	0.0491	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	0.8613	0.7573	0.6500	0.5603	0.4808	0.4103	0.3498	0.2959	0.2436	0.1928	0.1434	0.0954	0.0487	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
16	0.8528	0.7448	0.6300	0.5363	0.4538	0.3803	0.3158	0.2599	0.2066	0.1548	0.1044	0.0554	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
17	0.8444	0.7314	0.6100	0.5123	0.4268	0.3503	0.2818	0.2239	0.1696	0.1178	0.0674	0.0184	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
18	0.8360	0.7180	0.5900	0.4883	0.4008	0.3213	0.2498	0.1939	0.1396	0.0868	0.0354	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
19	0.8277	0.7047	0.5700	0.4643	0.3748	0.2923	0.2178	0.1579	0.1036	0.0508	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.8195	0.6915	0.5500	0.4403	0.3478	0.2623	0.1848	0.1209	0.0666	0.0138	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
21	0.8114	0.6784	0.5300	0.4163	0.3218	0.2343	0.1548	0.0909	0.0366	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	0.8034	0.6654	0.5100	0.3923	0.2958	0.2063	0.1248	0.0609	0.0066	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
23	0.7954	0.6524	0.4900	0.3683	0.2708	0.1793	0.0958	0.0319	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
24	0.7874	0.6294	0.4600	0.3443	0.2448	0.1513	0.0658	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
25	0.7794	0.6214	0.4400	0.3203	0.2198	0.1243	0.0558	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.7419	0.5829	0.4100	0.3003	0.2018	0.1313	0.0754	0.0427	0.0234	0.0126	0.0059	0.0029	0.0014	0.0007	0.0003	0.0001	0.0000	0.0000	0.0000	0.0000
35	0.7069	0.5499	0.3854	0.2823	0.1918	0.1257	0.0736	0.0436	0.0252	0.0138	0.0071	0.0036	0.0018	0.0009	0.0004	0.0002	0.0000	0.0000	0.0000	0.0000
40	0.6717	0.5229	0.3606	0.2637	0.1772	0.1167	0.0675	0.0403	0.0234	0.0126	0.0061	0.0029	0.0014	0.0007	0.0003	0.0001	0.0000	0.0000	0.0000	0.0000
50	0.6000	0.3715	0.2291	0.1407	0.0872	0.0533	0.0213	0.0114	0.0065	0.0035	0.0018	0.0009	0.0004	0.0002	0.0001	0.0000	0.0000	0.0000	0.0000	0.0000

(c) Factoring Vs. Forfaiting

(d) Red Herring Prospectus

(e) Functions of Financial System (3×5=15)