[This question paper contains 6 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : 6845A

Unique Paper Code : 61017925

Name of the Paper : Investment Banking and Financial Services

Name of the Course : **Bachelor of Management Studies (BMS), 2023 LOCF**

Semester : VI

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.

2. Attempt any **five** questions.

3. Attempt **all** the parts of a question together

4. PRESENT VALUE Tables are Required. Use of simple Calculator is permitted.

P.T.O.

1. (a) "The Financial Institutions act as a mediator between the investor and the borrower. The investor's savings are mobilised either directly or indirectly via the Financial Markets". Explain this statement and also discuss role and function of financial institution. (8)

   (b) Explain SEBI guidelines for merchant bankers. Discuss obligations and responsibilities of Lead Managers. (7)

2. (a) "The risks of the investment are typically disclosed early in the prospectus and then explained in more detail later in the document." Explain this statement. Discuss types of prospectus. (8)

   (b) Explain the concept of green shoe option? Discuss its process in detail with example. (7)

3. (a) Explain Book building process with appropriate example. (8)

(b) Discuss the various exit options available to a Venture capital fund whenever they want to exit from a firm. (7)

4. X Ltd is in the business of manufacturing steel. The firm is planning to diversify and add a new product line. The firm either can buy the required machinery or get it on lease. The machine can be purchased for Rs. 20,00,000. It is expected to have a useful life of 5 years with salvage value of Rs. 1,50,000 after the expiry of 5 years. The purchase can be financed by 20 per cent loan repayable in 5 equal annual installments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year-end lease rentals of Rs. 5,50,000 for 5 years. Advise the company, which option it should choose and why?

(i) The company follows written down value method of depreciation, the rate of depreciation being 25 per cent.

(ii) Tax rate is 20 per cent

(iii) Lease rents are to be paid at the end of the year

(15)

5. (a) The Delhi Ltd sells goods on credit and annual sales amount 150 lakhs. The credit terms are 2/20, net 40. On the current sales the bad debts are 1.5%. 40% customers avail of the cash discount, the remaining pay on an average 60 days after the date of the sale. The book debt of the firm are presently being financed in the ratio of 3:1 by mix of a bank borrowing and owned funds which cost per annum 22% and 18% respectively. As an alternative to the in house management of receivable, Delhi Ltd is want to use non recourse factoring deal with PNB factors Ltd. Factor

reserve 20%, guaranteed payment 35 days after the date of purchase, Interest charge 20%, Commission 2% (upfront) Calculate cost of factoring and in-house management cost. (8)

OR

"Hire purchase is an arrangement for buying expensive consumer goods, where the buyer makes an initial down payment and pays the balance plus interest in installments." Explain this statement and also differentiate hire purchase finance with lease finance. (8)

(b) What is the role of National Housing Bank in housing finance sector? Discuss fixed and floating rate of interest. (7)

6. Write short note on any three. (3×5)

(a) Principles of Insurance

(b) Poison Pill and White knight

(c) Credit rating process

(d) Securitization Process

(e) Role of a Broker in an IPO