April 2014

Master of Business Administration (MBA) Examination

III Semester

Financial Systems and Services

Time : 3 Hours] [Max. Marks : 80

Note : Attempt any four questions from Section A. Each questions carry equal marks. Section B is compulsory and carries 20 marks.

Section A

1. Define financial systems and discuss the important functions performed by it. How financial development does influenced economic development ?
2. Write short notes on any three of the following :
   (a) Treasury Bills
   (b) Commercial Paper
   (c) Certificate of Deposit
   (d) Gilt Edged Securities
   (e) REPO and Reserve REPO.
3. "In a falling interest rate scenario, if the average maturity of assets is longer than average liabilities, would the impact be favorable or unfavorable for the bank." Explain in brief.
4. Explain Basel-II Norms and its basic architecture.
5. A mutual fund buys a bond of three years maturity few months ago. During this period, the value of bond increased but fund wants to hold the bond increased but fund wants to hold the bond for future period of six months. What types of risks is the mutual fund is exposed to for the next six months ?
6. Write difference between followings :
   (a) Leasing and Hire Purchase
   (b) Factoring and Forfeiting.

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Section B

7. A bank has the following balance sheet : (in crores)

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity capital	600	Loans and Advances	13,500
Reserves and Surplus	5,000	Investments	1,000
Debenture and Bonds	2,000	Governments Bonds	1,000
Deposits	7,000	Others Loans	500
Other Liabilities	1,500	Cash	100
Total Liabilities	16,100	Total Assets	16,100

Calculate : (a) Tier I capital ratio (b) Capital Adequacy Ratio.

The following changes in assets and liabilities take place in balance sheet during the year:

(a) Increase deposits base by Rs. 1,000 crores
(b) Increases mortgaged loans Rs. 800 crores
(c) Investment Rs. 200 crores in PSU bonds
(d) Sale of Rs. 200 crores of government bonds
(e) Repays Rs. 300 crores debentures
(f) Repayment of other loans of Rs. 100 crores.

Calculate new : (i) Tire I Capital Ratio (ii) Capital Adequacy Ratio.

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