

December 2019
Master of Business Administration (MBA) Examination

(Full Time) (New) Third Semester
FT-303F : FINANCIAL SYSTEMS AND SERVICES

Time 3 Hours]

[Max. Marks 80

Note : Attempt any four questions from Section A. Each question carries 15 marks. Section B is compulsory and carries 20 marks.

Section A

1. What are the salient features of Indian Financial System ? Distinguish it from Global Financial System on account of structure and characteristics.
2. "SEBI has played a vital role in Indian Capital Market." Critically examine the statement by giving what SEBI has achieved and what still is to be achieved ?
3. What do you mean by Money Market ? What are its different instruments that are traded in the Indian Money Market ?
4. Explain the Concept and Working of Depositories.
5. What do you mean by Financial Inclusion ? Explain the role of Micro Finance in Financial Inclusion with reference to India.
6. Write short notes on any three of the following :
 - (a) Distinguish between Lease and Hire.
 - (b) Mutual Funds.
 - (c) BASEL 2.
 - (d) Credit Rating Agencies.
 - (e) Mutual Funds and its types.

Section B

7. Answer the questions given at the end of case :

ABC Ltd. is in the business of manufacturing steel utensils. The firm wants 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. 15,00,000. It is expected to have a useful life of 5 years with salvage value of Rs. 1,00,000 after the expiry of 5 years. The purchases can be financed by 20% loan repayable in 5 equal 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. 4,50,000 for 5 years. Advice the company, which options it, should choose ? For your exercise, you may assume the following :

 - (a) The machine will constitute a separate block for depreciation purposes. The company follows the written down value method of depreciation, the rate of depreciation being 25%.
 - (b) Tax rate is 35 percent and cost of capital is 18 percent.
 - (c) Lease rents are to be paid at the end of the year.
 - (d) Maintenance expenses estimated at Rs. 30,000 per year to be borne by the lessee.

Question :

1. Should the company buy or get it on lease ? Also justify your answer.