

TIME: 2.5 Hours

MARKS: 75

- Note: 1. All questions are compulsory subject to internal choice.  
2. Figures to the right indicate full marks.  
3. All working notes will be part of the answer.

Q.1 Answer any two from the following. (15 marks)

(A) Define financial services. Explain the reasons for the growth of innovation in financial services.

(B) Growth Factors advances Rs.14 lakhs to Janhit Ltd. against agreement for providing advance payment of 80% of trade receivables and for guaranteed payment after 3 months which is the average collection period. The rate of interest is 20% compounded quarterly and factoring commission is 1.5% of receivables, both collected upfront. Assume a year of 360 days.

- Compute the amount actually made available to Janhit Ltd.
- Compute the effective cost of funds made available to Janhit Ltd. on an annual basis.
- Assume that interest is collected in arrears and commission in advance, and calculate the effective cost of funds on annual basis.

(C) Explain bill discounting scheme 1970.

Q.2 Answer any two from the following. (15 marks)

(A) Describe the role of Underwriter to the issue and its code of conduct.

(B) Enumerate the features of financial futures and forward contracts.

(C) Explain the benefits of securitization to banks, originators, and investors.

Q.3 Answer any two from the following. (15 marks)

(A) Harry purchased an electronic gadget on hire purchase system. The total cash price of the gadget is Rs.200,000. Down payment of Rs.70,000 is payable. Three annual installments of Rs.53,000, Rs.49,000 and Rs.55,000 including interest is payable at the end of first, second and third years respectively. Interest is charged at 10% p.a. Rate of depreciation is 10% on straight line method. You are required to:

- Prepare a table showing the yearly interest pay-outs for all three years. Calculations are to be made to the nearest rupee.
- Journalise the above transactions in the books of the hire purchaser for the first year.

(B) Explain the role of NHB in housing sector in India.

(C) Describe the exit routes for venture capital finance investors.

**Q.4** Answer any two from the following. (15 marks)

- (A) Define consumer finance and explain the drawbacks of consumer finance.
- (B) Explain the types and benefits of credit cards.
- (C) Explain the features of smart cards.

**Q5. Case Study**

Mr. Bijoy wants to diversify his investment portfolio. He wants to invest in corporate bonds. However he is not clear about credit rating and its implications. He is seeking your help to demystify the concept and significance of credit ratings. Answer the following questions to help Bijoy.

- a) What are the objectives of credit rating? (05marks)
- b) How does credit rating benefit investors? Is credit rating the only criterion for investing in bonds? (05 marks)
- c) What is the process of credit rating for the bond issuer? (05 marks)

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