LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

FIFTH SEMESTER – NOVEMBER 2011

CO 5402/COM 402 - FINANCIAL SERVICES

Date : 11-11-2011 Dept. No. Max. : 100 Marks
Time : 1:00 - 4:00

SECTION – A **Answer ALL questions** **(10 x 2 = 20)**

1) What is due diligence certificate?

2) In what way credit syndication differs from bank loan?

3) What is messanine capital?

4) List out any four leading factors in India.

5) What is bridge finance?

6) Which assets can be securitised?

7) Enlist the serious defaults committed by a merchant banker.

8) Write a note on venture capital turnaround.

9) What are the various forms of merchant banking?

10) Identify any two problems faced in using IRR in evaluating the leasing option.

SECTION – B **Answer any five questions** **(5 x 8 = 40)**

11) How do you categorise the merchant bankers?

12) What are the methods used by the venture capital companies to exit from the venture assistance?

13) Explain how the forfeiting transaction takes place.

14) Outline the process of securitization

15) How the factoring system works?

16) Differentiate financial lease from operating lease.

17) What is forfeiting and bring its merits.

18) Z Ltd has total sales of Rs.3.2 crore and its average collection period is 90 days. The past experience indicates that bad debts losses are 1.5% on sales. The expenditure incurred by the firm in administering its receivable collection efforts are Rs.5,00,000. A factor is prepared to buy the firm's receivables by charging 2% commission. The factor will pay advance on receivables to the firm at an interest rate of 18% after withholding a 10% reserve. Calculate the effective cost of factoring to the firm. Assume a year has 360 days.

SECTION – C **Answer any TWO questions** **(2 x 20 = 40)**

19) What are the various stages involved in venture capital financing?

20) Outline the advantages of leasing from the view of the lessor and the lessee. Also bring out the shortcomings of leasing.

21) Banu Company had decided to acquire a Rs.5,00,000 Pulp Control Device that has a useful life of 10 years. A subsidy of Rs.50,000 is available at the time the device is acquire and placed in to service. The device would be depreciated on Straight-Line Basis and no salvage value is expected. The applicable tax rate is 50%.

If the acquisition is financed with a lease, lease payments of Rs.55,000 would be required to be paid at the beginning of the each year. The company can also borrow at 10% repayable in equal instalments. Debt payments are due at the beginning of each year.

What is the present value of cash outflow for each of these financing alternatives, using the after-tax cost of debt? Which of the two alternatives is preferable?

****