

PGDM & IB Batch 2016-18

Financial Services, Products and Markets

Subject Code: DM-312/IB-312

Trimester III, End Term Examination: March 2017

Time Allowed: 2 hrs 30 min

Roll No.: _____

Max Marks: 50

Instruction: Students are required to write Roll No. on every page of the question paper, writing anything except the Roll No. will be treated as **Unfair Means**. All other instructions on the reverse of the Admit Card should be followed meticulously.

Make assumptions wherever necessary and write them down at the beginning of the solution.

Section A: Answer any 3 out of 5 questions. Each question carries 5 marks.

- A1.** Exchange Traded Funds can either be open ended or closed ended. Comment on the statement in the Indian context.
- A2.** Orange Inc. purchased 200 units of Oxygen Mutual Fund at INR 45 per unit on 31st December, 2009. In 2010, he received INR 1.00 as dividend per unit and a capital gains distribution of INR 2 per unit. Calculate the return for the period of one year assuming that the NAV as on 31st December 2010 was Rs.48 per unit and all dividends and capital gains distributions have been reinvested at an average price of Rs.46.00 per unit.
- A3.** ABC Incorporation sold goods worth INR 800 Cr. on 3/10, net 50 basis. 30% of its customers accepted the cash discount. The balance customers were factored to SBI Global Factors Ltd. as per the following terms: 20% shall be kept as factor reserve. SBI Factors would like to earn 10% on its financial investment. Factor will earn 0.8% for administration and sales ledger management. Their operating expenses were 0.35x of this fees. The factoring shall be with recourse. 1.5% of the receivables factored defaulted. Calculate how much cash ABC received at T10 and at T50.
- A4.** Micro Finance is a specialized branch of banking which has exceptional potential in India. Illustrate using examples.
- A5.** Differentiate between Primary and Secondary Market taking Equity Instruments as the context.

Section B: Answer any 2 out of 3 questions. Each question carries 10 marks.

- B1.** Explain in detail the different steps in the process of Securitisation of an illiquid credit card receivable.

B2. The business model of a Credit Rating Agency has some fundamental flaws to function objectively. Critically discuss the statement in the context of Sub-prime Crisis suggesting three ways to bridge the gap.

B3. Explain five most important services that are provided by a *Factoring Company* to a typical manufacturing client.

Section C: The question contains two parts. Both the parts are compulsory to attend. Each part carries 7.5 marks.

Part 1: ABC Leasing Ltd. has been approached by a client to write a five years lease on an asset costing INR 1,000,000 and having estimated salvage value of INR 100,000 thereafter. The company has an after-tax required rate of return of 10% and its tax rate is 50%. It provides depreciation @ 33-1/3 % on written down value of the asset. What lease rental will provide the company its after tax required rate of return (BELR)?

Part 2: A mutual fund company introduces two schemes namely Dividend Reinvestment Plan (Plan-D) and Bonus Plan (Plan B). The face value of the unit is INR 10 per unit. On 1-4-2005. An investor invested INR200,000 each in Plan-D and Plan-B when the NAV was INR 38.20 and INR 35.60 respectively. Both the plans matured on 31-3-2010. Particulars of dividend and bonus declared over the period are as follows:

Date	Dividend	Bonus	Net Asset Value (INR)	
	%	Ratio	Plan D	Plan B
30-09-2005	10	-	39.10	35.60
30-06-2006	-	1:5	41.15	36.25
31-03-2007	15	-	44.20	33.10
15-09-2008	13	-	45.05	37.25
30-10-2008	-	1:8	42.70	38.30
27-03-2009	16	-	44.80	39.10
11-04-2009	-	1:10	40.25	38.90
31-03-2010	-	-	40.40	39.70

What is the effective yield per annum in respect of the above two plans?

*****End*****