Program:	M.Com II	Semester:	III	Program Code:	PGCOM01
Course:	Financial Services			Course Code:	59333
Duration:	1 Hour	Examination Pattern:	NEP-Autonomous - External	Max. Marks:	50

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. CO (Course Outcome), KL (Knowledge Level).

Examination:

REGULAR

Q. 1		Attempt either (A) or (B) and (C)		CO's	KL's
	(A)	AB Ltd. is considering buying a machine costing ₹1,00,000, the same will be utilized over the period of 5 years. It has two financing options in this regard: **Option I:** To buy with a borrowed fund at the cost of 18% p.a. repayable in 5 equal installments of ₹32,000 p.a. The salvage value of equipment at the end of 5th year is zero. The company uses straight line depreciation. Assume tax rate at 40%. **Option II:** To take equipment on lease and on an annual rent of ₹32,000. Discounting Factor at 18%.	[14]	CO1	L3

Year	Value
1	0.847
2	0.718
3	0.609
4	0.516
5	0.437
Total	**3.127**

You are required to compute and analyze cash flow and advise as to which option is better.

		(OR)			
	(B)	Explain the advantages of Leasing	[07]	CO1	L2
	(C)	Distinguish between Operating Lease and Financial Lease	[07]		

Q. 2		Attempt either (A) or (B) and (C)		CO's	KL's
	(A)	PQR Ltd. has a total sale of ₹4,50,00,000 and its average collection period is 120 days. The past experience indicates that bad debts losses are 2% on sales. The expenditure incurred by the firm in administering its receivable collection efforts are ₹6,00,000. A factor is prepared to buy the firms receivables by charging 2% commission.	[12]	CO2	L3

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		The factor will pay advance on receivables to the firm at an interest rate of 18% p.a. after with holding 10% reserve. Calculate the effective cost of factoring to the firm. Assume 360 days in a year.			
		OR			
	(B)	Explain the process of Factoring.	**[6]**	**CO2**	**L2**
	(C)	What are the disadvantages of factoring?	**[6]**		
Q. 3		**Attempt either (A) and (B) or (C) and (D)**		**CO's**	**KL's**
	(A)	Mr. A is considering investment in one of the following bonds: Bond | Coupon rate | Maturity | Price/₹100 par value X | 11% | 10 years | ₹76 Y | 12% | 7 years | ₹69 Recommend which bond should be purchased and will the answer change if the required rate of return is 21%.	**[6]**	**CO3**	**L3**
	(B)	**Following information are available:** **a.** Initial Private Equity Investment = ₹10,00,000 **b. Distribution:** 1st year = ₹3,00,000 2nd year = ₹4,00,000 3rd year = ₹7,00,000 **c. Public market bench mark values:** 1st year = ₹3,50,000 2nd year = ₹5,00,000 3rd year = ₹7,50,000 **d.** Discount rate = 10% **Calculate discounted cash flow, calculate KS - PMS ratio and give comment on your answer.**	**[6]**		
		(OR)			
	(C)	What is Venture Capital Fund? What are its advantages?	**[6]**	**CO3**	**L2**
	(D)	What are the disadvantages of Angel Fund?	**[6]**		
Q. 4		**Attempt either (A) and (B) or (C) and (D)**			
	(A)	The analyst has provided you the following estimates in respect of equity shares of C Ltd. and E Ltd. Security | C Ltd. | E Ltd. Expected rate of return | 30% | 28% Standard deviation | 8% | 7% The correlation coefficient between C Ltd. and E Ltd. is 0.4. Assuming equal amount of funds invested in both the securities estimate the standard deviation of the portfolio.	**[6]**		

	(B)	Calculate Alpha of Real Estate Investment Trust (REIT) from the following information: Portfolio return (R_p) = 9% Benchmark return (R_b) = 8% Risk free rate (R_f) = 2.5% Beta = 1.1	[6]	CO4	L3
		OR			
	(C)	Discuss Markowitz Theory.	[6]	CO4	L2
	(D)	What are the advantages of Diversification?	[6]		

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