

Reg. No. _____

Name: _____

APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY
FORTH TRIMESTER MBA DEGREE EXAMINATION, SEPT 2018

FIN-T4-1 FINANCIAL MARKETS AND SERVICES

Maximum Marks: 60

Duration: 3 Hours

Part A

Answer all Questions
Each Question carries 2 marks

1. What you mean by Floating Rate Bond?
2. Who is an Angel Investor?
3. Explain Book Building
4. What you mean by securitization?
5. Write short note on Depository Participant? (5 x 2 = 10 Marks)

Part B

Answer any 3 Questions
Each question carries 10 marks

6. Which are the functions of a financial system?
7. What is meant by Financial Innovation? Explain the major innovative financial instruments in Financial Market?
8. Explain the role and relevance of SEBI in the development and regulation of the securities market in India.
9. What is meant by money market? Explain the major money market instruments available in India.
10. Explain the functions performed by a factor. (3 x 10 = 10 Marks)

Part C

Compulsory Question

11. (A) HCL Ltd is considering acquiring an additional computer to supplement its time share computer services to its client. It has two options:
 - (1) To purchase the computer for Rs. 22,00,000
 - (2) To lease the computer for 3 years from a leasing company for Rs.5,00,000 annual lease rent plus 10 per cent of gross time share service revenue. The agreement also requires an

additional payment of Rs. 6,00,000 at the end of the third year. Lease rent are payable at the year end, and the computer reverts to the lessor after the contract period.

The company estimates that the computer under review now will be worth Rs. 10 lakh at the end of the third year.

Year	Forecast Revenue
1	22,50,000
2	25,00,000
3	27,50,000

Annual operating costs (excluding depreciation and lease rent of computer) are estimated at Rs. 9, 00,000 with an additional Rs.1, 00,000 for start-up and training costs at the beginning of the first year.

HCL Ltd will borrow at 16 per cent interest to finance the acquisition of the computer, repayments are to be made according to the following schedule.

Year -End	Principal	Interest	Total
1	Rs. 5,00,000	Rs. 3,52,000	Rs. 8,52,000
2	Rs. 8,50,000	Rs. 2,72,000	Rs. 11,22,000
3	Rs.8,50,000	Rs. 1,36,000	9,86,000

The company uses the straight line method to depreciate its asset and pays 50 per cent tax on its income. The management of HCL Ltd approaches you for advice. Which alternative would you recommend?

P.V. Factor (.926, .857, .794) (10)

11. (B) Write brief note on different financial services available in India (10)