

IMT-41

INDIAN FINANCIAL SERVICES

Notes:

- a. Write answers in your own words as far as possible and refrain from copying from the text books/handouts.
- b. Answers of Ist Set (Part-A), IInd Set (Part-B), IIIrd Set (Part – C) and Set-IVth (Case Study) must be sent together.
- c. Submit the assignments in IMT CDL H.O. along with the assignments Question Papers for evaluation .
- d. Only hand written assignments shall be accepted.

<u>A. First Set of Assignments</u>	5 Questions, each question carries 1.5 marks.
<u>B. Second Set of Assignments</u>	5 Questions, each question carries 1.5 marks.
<u>C. Third Set of Assignments</u>	5 Questions, each question carries 1.5 marks. Confine your answers to 150 to 200 Words.
<u>D. Forth Set of Assignments</u>	Two Case Studies : 7.5 Marks. Each case study carries 3.75 marks.

SECTION - A

- Q. 1. Discuss the various constituents of the Indian Financial System.
- Q. 2. The RBI Act of 1934 bestows all the important functions of a central bank to the RBI .Explain briefly.
- Q. 3. What is the Securities and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI ACT 2002)?
- Q. 4. How to repos and reverse repos affect liquidity?
- Q. 5. Explain the bought-out deal.

SECTION - B

- Q. 1. Define merchant banker, and explain the nature of merchant bankers' activities.
- Q. 2. What is meant by book building issue?
- Q. 3. Discuss the key risk management initiatives taken by SEBI.
- Q. 4. Explain the various types of financial instruments.
- Q. 5. What are fixed –income securities?

SECTION - C

- Q. 1. Hyderabad Ltd, entered on a lease agreement with First Leasing Limited on 01st April 2012. The following are the conditions of the lease:
 - a. Fair value of the assets Rs. 5,25,000.
 - b. Life of the assets is 5 years, residual value is 52,500.
 - c. Lease rentals are Rs. 1,45,635 for 5 years payable at the end of each year.

Show how this transaction would be recorded in the books of Hyderabad Ltd., for the first two years; also show the profit and loss account and balance sheet for these two years.

- Q. 2.** Explain the impact of NII (Net Income Approach) in different approach.
- Q. 3.** Analyze the recent trends in M & A activities in India.
- Q. 4.** Define the venture capital business and explain its features.
- Q. 5.** What is a finance lease? How is it different from other type of lease?

CASE STUDY - 1

Star Ltd. is considering merger with Moon Ltd. . Star Ltd's share are currently traded at Rs. 30.00 Per Share. It has 3000 shares outstanding. Its earnings after taxes (EAT) amount to ` 6,00,000. Moon Ltd. has 1,60,000 shares outstanding and its current market price is ` 15.00 per share and its earnings after taxes (EAT) amount to ` 1,60,000. The merger is decided to be effected.

by means of a stock swap (exchange). Moon Ltd has agreed to proposal by which Star Ltd will offer the current market value of Moon Ltd's shares.

Find out:

- a. The pre-merger earnings per share (EPS) and Price/earnings (P/E) ratios of both the companies.
- b. If Moon Ltd's P/E Ratio is 9.6, what is its current Market Price? What is the Exchange Ratio? What will Star Ltd. post merger EPS be?
- c. What should be the exchange ratio; if Star Ltd's pre-merger and post-merger EPS are to be the same?

CASE STUDY - 2

From the following information, you are required to advise a company about the leasing out of the assets :

Cost of the assets	Rs. 12,00,000/-
Average cost of capital to the lessor	10%
Depreciation	15% on original cost
Life	5 years
Salvage value	50,000
Lease rent payable at the end of each of 5 years	Rs. 4,50,000/-
Corporate tax	50% applicable to lessor