

FM

Reg. No. :

D 2142

Q.P. Code : [07 DMB-F 29]

(For the candidates admitted from 2007 onwards)

M.B.A. DEGREE EXAMINATION, DECEMBER 2009.

Second Year

Finance

INDIAN CAPITAL MARKET AND FINANCIAL SYSTEM

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

All questions carry equal marks.

(5 × 20 = 100)

1. State and explain the basic functions of financial system in India.
2. Discuss the various functions of stock exchange in India.
3. Explain the salient features of preference shares.
4. Explain the different methods of issuing new issues.

5. Explain the process of Book building.

6. Give a brief account of SEBI guidelines on merchant bankers.

7. Discuss the qualities of a successful merchant banker.

8. Explain the advantages and disadvantages of swaps.

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Finance

MANAGEMENT OF FINANCIAL SERVICES

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

All questions carry equal marks.

(5 × 20 = 100)

1. What are financial services? Bring out the characteristics of financial services.
2. Explain the advantages and disadvantages of leasing.
3. Discuss the various steps in commercial bills discounting.
4. Define factoring. State the characteristics features of factoring.

5. Explain the process of equity grading. Attempt your answer with reference to a lending credit rating agency.

6. What are the codes of conduct to be observed by Indian merchant bankers? Explain.

7. Distinguish between an open-ended fund and a close – ended mutual funds.

8. Discuss the various benefits of securitization.

Reg. No. :

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Q.P. Code : [07 DMB-F 31]

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Finance

**CAPITAL BUDGETTING AND FINANCING
DECISIONS**

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

All questions carry equal marks.

(5 × 20 = 100)

1. Assuming wealth maximisation to be the objective of financial management, show how the financing, investment and dividend decisions of a company can help to attain that objectives.
2. Explain the merits and demerits of equity shares.

3. From the following information, calculate the net present value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%.

	Profit X	Profit Y
	Rs.	Rs.
Initial Investment	20,000	30,000
Estimated Life	5 Years	5 Years
Scrap value	1,000	2,000

Profits before depreciation and after taxes are as follows :

Year	Profit X	Profit Y
	Rs.	Rs.
1	5,000	20,000
2	10,000	10,000
3	10,000	5,000
4	3,000	3,000
5	2,000	2,000

4. "Risk analysis of capital investments is one of the most complex, controversial and sleepary areas in finance" - Comment.

2

D 2144

5. Mendex Ltd. issued 10% irredeemable preference shares. The nominal value of each share is Rs. 100. You are required to calculate the cost of preference share capital in each of the following cases :
- (a) when issued at 5% discount
(b) when issued at 5% premium
6. What is meant by cost of capital? Explain the components of cost of capital.

7. Calculate the Degree of operating Leverage and Financial leverage for the following firms and interpret the results :

	P	Q	R
Output (units)	3,00,000	75,000	5,00,000
Fixed costs (Rs.)	3,50,000	7,00,000	75,000
Units variable cost (Rs.)	1.00	7.50	0.10
Interest Expenses (Rs.)	25,000	40,000	Nil
Units selling price (Rs.)	3.00	25.00	0.50

8. Explain the determination of the ratio between debt and equity in financial forecasting.

3

D 2144

Reg. No. :

D 2145

Q.P. Code : [07 DMB F 32]

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Second Year

Finance

WORKING CAPITAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer any FIVE out of Eight questions

(5 × 20 = 100)

1. What is importance of working capital for a manufacturing firm? What shall be the repercussions if a firm has
 - (a) Paucity of working capital and
 - (b) Excess working capital.
2. Do you recommend that a firm should finance its current assets entirely with short term financing? Explain your answer.

3. Explain the criteria that a firm should use in choosing the marketable securities in order to invest surplus cash.
4. Discuss the relevance of the Maratha committee recommendations in the context of the new economic policy.
5. What credit and collection procedures should be adopted in case of individual accounts? Discuss .
6. "There are two dangerous situations that management should usually avoid in controlling inventories ". Explain.
7. Examine the peculiar features of international working capital management.
8. Discuss the method of estimation of working capital requirements based on sales.

Reg. No. :

D 2146

Q.P. Code : [07 DMB-F 331]

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Finance

RISK MANAGEMENT AND INSURANCE

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

(5 × 20 = 100)

1. Identify the two broad approaches to dealing with risk recognized by modern risk management theory.
2. Distinguish between risk management, financial risk management and enterprise risk management.
3. Discuss the role and functions, duties and powers of Insurance Regulatory and Development Authority of India.

4. Describe the various kinds of insurance and draw the distinction between life insurance and general insurance.

5. Discuss the claim settlement procedure of death and maturity claims in life insurance.

6. What do you mean by Fire Insurance? Describe its nature and scope.

7. Describe the various types of Marine Insurance Losses. Describe the procedure to be followed for claiming total losses and general average losses.

8. Write short notes on

- (a) Live-Stock Insurance
- (b) Burglary Insurance
- (c) Crop Insurance
- (d) Personal Accident Insurance.

Reg. No. :

D 2147

Q.P. Code : 107 DMB-F 341

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Finance

**SECURITY ANALYSIS AND PORTFOLIO
MANAGEMENT**

Time : Three hours

Maximum : 100 marks

Instructions to candidates

Answer any FIVE questions.

All questions carry equal marks.

(5 × 20 = 100)

1. Explain the process of investment undertaken by the investor.
2. Define risk and distinguish between systematic and unsystematic risk.
3. Aarthithya has to evaluate two specific bond issues with the given details. But he is not certain about the future economic condition. He has to take into account of the possibility of recession. The details are as follows :

Particulars	Bond X callable	Bond Y Non-callable
Maturity	2005 (7 years)	2005 (7 years)
Coupon	12%	8%
Yield to maturity	8%	7%
Modified duration	6.58 years	6.70 years

- (a) Which bond would he prefer to invest in the inflation period and in recession period? Give reasons for your answer.
- (b) What would be the price change if the YTM falls by 50 basis point?
- (c) If Aarthithya has to build a bond portfolio with these two bonds, in what proportion he would buy both the bonds?
4. Discuss any four factors considered to be most important in appraising companies in different industries.
5. Explain the various tools available for technical analysis.
6. Explain the constraints in the formation of objectives.
7. Explain the CAPM theory and its validity in the stock market.
8. Explain the Jensen index of portfolio performance.

Reg. No. :

5. Write short notes on :

D 2148

Q.P. Code : [07 DMB-F 35]

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Finance

INTERNATIONAL FINANCIAL MANAGEMENT

Time : Three hours

Maximum : 100 marks

Answer any FIVE questions.

(5 × 20 = 100)

1. Discuss the nature and scope of International Financial Management? Distinguish between International Financial Management and Domestic Financial Management.
2. Define Balance of Payments. Briefly describe any two approaches to BOP adjustments.
3. Examine the different theories of exchange rate determination.
4. How are transactions finalized in the market for currency futures?

- (a) Spot market VS Forward Market
- (b) Currency futures VS Currency Forward Contracts
- (c) Straddles VS Strangles.

6. Discuss on the different techniques of forecasting exchange rate.
7. Do the different methods of translation arrive at different sizes of translation exposure? Explain
8. Elaborate on the Short-term and Medium Term financial market instruments.