



PG – 921

**III Semester M.B.A. Degree Examination, February 2017**  
**(CBCS)**  
**MANAGEMENT**  
**Paper – 3.3.1/3.7.3 : Indian Financial System**

Time : 3 Hours

Max. Marks : 70

**SECTION – A**

Answer **any five** of the following questions. **Each** question carries **five** marks. **(5×5 = 25)**

1. What is financial system ? Discuss in brief the components of formal financial system.
2. Discuss the objectives and functions of IFCI.
3. Discuss the changing trends in Life Insurance in India.
4. What are Non Banking Financial Companies ? State the principal businesses of NBFCs in India.
5. Discuss the role and functions of financial markets.
6. What is book building ? Explain the steps in book building.
7. Explain the various types of capital market instruments.

**SECTION – B**

Answer **any three** questions. **Each** question carries **10** marks. **(3×10 = 30)**

8. What are mutual funds ? Explain the different types of mutual fund schemes.
9. What are the services provided by a stock exchange ? Discuss the distinctive features of stock markets in India.



10. What is money market ? Explain the different types of money market instruments.
11. What is credit rating ? Explain the methodology used by rating agencies while rating equities.

### SECTION – C

#### 12. Compulsory. Case study.

(1×15 = 15)

DLP Pvt. Ltd. is considering the possibility of purchasing a multipurpose machine which cost Rs. 10 lakhs. The machine has an expected life of 5 years. The machine generates Rs. 6 lakhs per year before depreciation and tax and the management wishes to dispose the machine at the end of 5 years which will fetch Rs. 1 lakh. The depreciation allowable for the machine is 25% on written down value and the company's tax rate is 50%. The company approached a NBFC for a five year lease for financing the asset which quoted a rate of Rs. 28 per thousand per month. The company wants you to evaluate the proposal with purchase option. The cost of capital of the company is 12% and for lease option it wants you to consider a discount rate of 16%.

	0	1	2	3	4	5
PV @ 12%	1.000	0.893	0.797	0.712	0.636	0.567
PV @ 16%	1.000	0.862	0.743	0.641	0.552	0.476