

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER -3 – EXAMINATION – WINTER 2018

Subject Code:2830202**Date:10/12/2018****Subject Name: Management of Financial Services****Time:10:30 AM To 01:30 PM****Total Marks: 70****Instructions:**

- **Attempt all questions.**
- **Make suitable assumptions wherever necessary.**
- **Figures to the right indicate full marks.**

Q.1) (A) Answer the following MCQs by selecting a correct answer from the from the following (6)

- i) Which was the first Indian Bank, is association with other four major banks, to set up Factors and Commercial Services in 1991
 - (a) SBI
 - (b) CBI
 - (c) BOB
 - (d) SIDBI
- ii) The Prime Regulatory Authority working, in India, for the regulation of capital market is ____
 - (a) RBI
 - (b) IRDA
 - (c) SEBI
 - (d) SIDBI
- iii) Which of the five big stand-alone 'bulge-bracket' investment banks has filed for bankruptcy in 2008?
 - (a) Lehman Brothers
 - (b) Goldman Sachs
 - (c) Merrill Lynch
 - (d) Bear Sterns
- iv) The maximum number of lead merchant bankers may not exceed in case of any issue of Rs. 200 crores but less than 400 crores
 - (a) 2
 - (b) 3
 - (c) 4
 - (d) 5
- v) Internet trading in India made its debut in _____
 - (a) April 2003
 - (b) April 2002
 - (c) April 2000
 - (d) April 2001
- vi) Which of the following is not the fully owned subsidiary of the RBI
 - (a) National Housing Bank
 - (b) Deposit Insurance and Credit Guarantee Corporation of India
 - (c) Bharatiya Reserve Bank Note Mudran Private Limited
 - (d) National Bank for Agriculture and Rural Development

Q.1) (B) Define (4)

- i) Commercial Paper
- ii) Money Market
- iii) Letter of Credit
- iv) Venture Capital

Q.1) (C) Explain in brief the different types of money market instruments (4)

Q.2) (A) "Merchant Bankers play a very important role in issue management activity." State the major obligations and responsibilities of merchant bankers. (7)

Q.2) (B) Describe the role and important functions of Reserve Bank of India (7)

(OR)

Q.2)(B) Explain the role of Insurance Regulatory Authority in India. Also explain Risk Management in insurance sector. (7)

Q.3) (A)What is Factoring and Forfeiting? Discuss different types of factoring services (7)

Q3) (B)"Repos are the tool in the hand of RBI for managing the liquidity in the money market" – Discuss (7)

(OR)

Q.3) (A)What is leasing? Explain the different types of leases. (7)

Q.3) (B)Explain in detail how SEBI controls and develops stock market. (7)

Q. 4) (A) Discuss the importance and need of venture capital funds in India. (7)

Q.4)(B) How the Securitisation field is developed in India? Give your opinion to make it more popular in India. (7)

(OR)

Q. 4) (A) How Bill Discounting help as a short term instrument of financing? Which are different types of bills? (7)

Q4)(B)Describe different types of NBFCs in India. (7)

Q.5) Ajit is 30, newly married and a successful actor in the Indian film industry. Right from his struggling days, Ajit always saved a part of his income and invested in safe instruments like fixed deposits. However, during the internet boom in the late 90's and early 2000, he successfully invested in equities and mutual funds. Ajit thought that he was always well-diversified but when the internet stock bubble burst in 2002, Ajit lost a majority of his stock

portfolio. A major mistake he made was that even though he was diversified, he invested only in tech-stocks. Ajit has always had a penchant for technology from his young age and thus he usually ended up buying tech stocks and funds. Currently, Ajit suffers from the snake-bite effect and thus he is not willing to participate in the equity market at all. Ajit, now misses the high returns that his portfolio had earned during the internet boom days. He has come to you to seek your suggestions to help his portfolio generate higher returns.

Based on the above information answer the following:

- (i) Will you recommend a stock only portfolio to Ajit or a mutual funds only portfolio for Ajit? (4)
- (ii) What kind of mutual fund will you recommend to Ajit? (3)
- (iii) Explain to Ajit how his new mutual fund portfolio achieves diversification. Why is this diversification important? (4)
- (iv) Recommend a portfolio mix for Ajit. Explain to Ajit why investments in equities improves the risk profile of the portfolio. (3)

.(OR)

Q.5) Ritu is a first year MBA student who is always missing her Garam Masala Chai and Samosas made by Sevkrum's Mobile Restaurant in her hometown of Bhopal. She approaches Sevkrum with a business partnership proposal to open a similar mobile restaurant in Ambavad near her college. Sevkrum is horrified. He is not willing to invest in a city that is unfamiliar to him and is more than a thousand kilometers away. However, he has known Ritu for many years as she had patronized his restaurant for years and had never asked for payment credit and had always paid cash. Thus, he offers her his secret formulas in return for 5 per cent of gross revenues that she can make creating products using his formulas. Ritu gladly accepts the deal.

She creates samples of Chai, Samosas, Cold sandwiches and Idlis using Sevkrum's secret formula and serves them to her classmates. Her classmates love the Chai and eatables. She tells them that she plans to start a business selling Chai and these eatables across the whole country. She convinces ten of her classmates to contribute Rs. 1000 each at 10 per cent simple annual interest with the principal due after two years and one free Chai and eatables every week till she pays back the loan.

With the seed money that she has now she rents a ultra small mobile kiosk and names it Ritu's Tea House and hires a couple of friends to sell these eatables from her kiosk. Meanwhile, she focuses in creating these products and streamlining the production process at her apartment. She delivers these products thrice a day to her kiosk. Ritu's Tea House even though a small kiosk is a big success ub ger university campus. Three months later, her 10 friends contribute an additional Rs.50,000 to start another kiosk and a commercial kitchen where she can create these eatables. She hires production staff and logistics staff and six months later, she has paid off all her loans and has two very successful kiosks. A commercial kitchen with trained staff and a small logistics department who delivers on bicycles, and a very happy Sevkrum with his 5 per cent royalties and a happy set of friends who have had a return of 10 per cent in nine months and 40 sets of free eatables.

Based on the above information answer the following:

- (i) Ritu has approached you, a financial consultant, to help her out with additional finances. She wants to open 18 more kiosks in the campus since the campus has

many colleges and hostels and 20 kiosks will comfortably survive without cannibalizing each other's sales. What will be your recommendations? (4)

(ii) 15 months later Ritu approaches you again for help, with additional funding. All her 20 kiosks are a runaway success and her commercial kitchen is running at full capacity. She has a small managerial team of three people who are now managing the kitchen and the logistics. In a range of 5 kilometers outside the campus, there are enough commercial businesses to support at least 100 kiosks. Ritu wants to hire a real-estate manager to negotiate kiosk areas in the commercial and retail buildings, she wants to buy two delivery trucks for her logistics department, and she needs funding to create and run the additional 100 kiosks. What will be your recommendations? (4)

(iii) Two years later Ritu has again approached you for your help. Ritu's Tea Houses' revenues this year will exceed Rs. 3 crore. Ritu is very satisfied with her success but she has not achieved her vision of having Ritu's Tea House in every city, town and village of the country. She wants to know if she should now become like a Sevkram and franchise her business model to other franchisees or should she keep growing the way she has grown in the past four years? Discuss the funding need and intermediaries that will be involved in both the approaches. (6)

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