Roll No. Total No. of Pages : 04

Total No. of Questions : 06

PIT MBA (Sem.–3)

# MANAGEMENT OF FINANCIAL SERVICES

Subject Code : MBA-314

Paper ID : [51204]

Time : 3 Hrs. Max. Marks : 60

**INSTRUCTIONS TO CANDIDATES :**

1. SECTION-A contains SIX questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTIONS-B consists of FOUR questions each carrying TEN marks each and student has to attempt ALL questions.
3. SECTION-C is consist of ONE Case Study carrying EIGHT marks.
4. All Questions are Compulsory.

## SECTION-A

**1. Write short notes on :**

a) Dematerialization.

b) Mutual funds.

c) Types of Leasing business.

d) Guidelines for venture capital.

e) Scope of Securitization.

f) Credit and Debit cards.



## SECTION-B

2. What is the importance of financial services? Explain various types of financial services in detail.

3. Define merchant banking. Discuss the scope of merchant bankers. Also explain the latest guidelines of SEBI relating to merchant bankers.

4. Discuss the objectives of credit rating. Explain the factors affecting credit rating with examples.

5. What are the types of factoring? Discuss the procedural and financial aspects in factoring.

## SECTION-C

**6. Case Study : How Mr & Mrs Raj planned for their Child Education & Marriage :**

Mr. Raj a 35 year old married individual and his wife whose age was 30 years had a 3 year old son. Mr. Raj was earning Rs 40,000 per month while his wife was earning Rs 30,000 per month, thus having a total family income of Rs 70,000 per month. As their expenses were around Rs 45,000 per month, they could have a surplus of around Rs 25,000 on a monthly basis.

He had the following assets as depicted in the table below :

| | | |
|---|---|---|
| **S.No.** | **Type of Assets** | **Amount (Rs)** |
| 1 | Equity Shares | 125,000 |
| 2 | EPF (Self) | 200,000 |
| 3 | **EPF** (Spouse) | 90,000 |
| 4 | PPF (Self) | 500,000 |
| 5 | PPF (Spouse) | 300,000 |
| 6 | Residential Flat | 3,000,000 |
| 7 | Physical Gold | 1,000,000 |
| 8 | Cash in Bank (Self) | 200,000 |
| 9 | Cash in Bank (Spouse) | 100,000 |
| | **Total** | **5,515,000** |

Assets...

So, you can see that Mr. & Mrs. Raj had total assets worth Rs 55 lakhs, of which Residential Flat comprises of more than 50% of his total assets. They were staying in the residential flat so it was not available for planning purpose. They had small amount of investment in equity via Shares and physical gold which was mostly in the form of gold ornaments of Mrs. Raj. They also had their individual EPF, PPF and Cash in Bank accounts. The Cash in Bank was mainly kept for contingency purpose.

However Mr. & Mrs. Raj did not have any liabilities.

And here was Mr. & Mrs. Raj's Financial Objectives!

They were very concerned about their Son's future. So they wanted to plan for his graduation at the age of 18 years' worth Rs 8 lakhs, post-graduation at the age of 21 years' worth Rs 20 lakhs and marriage at the age of 25 years' worth Rs 15 lakhs. (All costs are current values)

| | | | | |
|---|---|---|---|---|
| Graduation | 800,000 | 15 | 3,341,799 | 6,623 |
| Post-Graduation | 2000,000 | 18 | 11,119,835 | 14,527 |
| Marriage | 1,500,000 | 22 | 12,210,412 | 9,422 |
| **Total** | | | | **30,573** |

(Note : Inflation considered at 10% per annum and investment return considered at 12% per annum)

Mr. & Mrs. Raj needed to make a total investment of Rs 30,573 per month to achieve just these 3 goals, while they had a surplus of Rs 25,000 per month. They wanted to know how they can plan for their child's goals.

Personal EN recommended them the following:

Graduation Goal : Since Graduation is the highest priority goal, we advised them to a start a SIP of Rs. 6,623 per month. SIP was advised across Equity. Debt & Gold in the allocation of 80%, 10% and 10% respectively for 15 years.

Post-Graduation Goal: Post-Graduation is the next priority goal, but the amount required for this; goal was very high. If they were to start a SIP of such a high amount, they would have sacrificed on all other financial goals. So, we advised them to start a SIP of Rs 10,000 per month and increase it by 25% after every 3 years. They could easily do so as their salaries would increase in future and they can easily increase their investment amount for this goal as well. SIP was advised across Equity, Debt & Gold in the allocation of 80%, 10% and 10% respectively for 18 years.

Marriage Goal : Marriage was the least priority goal among these 3 goals and it was difficult for them to start a SIP for this goal immediately. So we advised them to start a SIP of Rs. 18,500 per month after 7 years and increase it by 20% after every 3 years. SIP was advised across Equity, Debt & Gold in the allocation of 80%, 10% and 10% respectively for 15 years. Other Financial Goals : After planning for the child goals, their total investment is just Rs 16,623 per month while they had surplus of Rs 25,000 per month. So they can still invest Rs 8,377 (Rs 25,000 - Rs 16,623) for other financial goals such as retirement, vehicle, vacation or any other financial goal they might have.

We did not utilize any of their current assets as cash in bank was kept for contingency purpose, physical gold was mostly gold ornaments and EPF & PPF account can be dedicated to other financial goals such as retirement.

Even though Mr. & Mrs. Raj thought their surplus amount is insufficient to fund for their child goals leaving aside all other goals, but proper planning helped them not only to plan for their child goals but also plan for other financial goals.

***Questions :***

a) You should factor in the expected rise in future income while planning for your financial goals.

b) You don't need to plan for all goals immediately ; some of them can be deferred till the time your income increases.

c) If your goals are not achievable even after projecting future increase in income, then you should review and decrease the amount of your least priority goals.