

**FM 06/eFM06**  
**MANAGEMENT OF FINANCIAL SERVICES**

**Time: Three Hours**

**Maximum Marks: 100**

**Note:** The paper is divided in three sections: Section A, Section B and Section C. There are 7 questions in Section-A, students are required to attempt ANY FOUR. Section-B has 5 questions, attempt ANY THREE. All the questions of Section-C (Case Study) are compulsory.

**Section-A**

**(Each question is of 10 Marks. Attempt any four)**

1. What is a financial market? What are the different types of functions that a financial market performs?
2. Describe the basic process of securitization.
3. For evaluating hire purchase, calculation of interest & the split of the instalment amount into interest & principal components assume importance. Explain the different modes of calculation of interest.
4. What is the code of conduct to be observed by Indian merchant bankers?
5. What are the types & duties of stock brokers to their customers?
6. Explain the various types of American Depository Receipts
7. Write short notes on (Any two):
  - a) Asset backed securities
  - b) Index funds
  - c) Financial services

**Section-B**

**(Each question is of 15 Marks. Attempt any three)**

8. Describe the composition of the board of SEBI. What are the functions of SEBI?
9.
  - a. What are the various types of exchange rate risk exposure?
  - b. Hedging is an important tool for risk management. What is Hedging & what are the different types of hedging strategies? (7+8)

10. Categorise Foreign Direct Investment on the basis of Motive behind the investment from the perspective of the investing firm. What are the different strategies that can be followed by a foreign company planning to invest in India?
11. Explain the various stages involved in a typical venture capital financing. Discuss the various methods available for a venture capitalist to exit from invested firms.
12. How would you judge the operational efficiency of a mutual fund? What could be the probable reason for the relatively poor performance of a mutual fund?

### Section-C (15 Marks) Case Study

13. Alfa Ltd. is thinking of installing a machine. Decide whether the computer is to be purchased outright (through 15%) borrowings or to be acquired on lease rental basis. The rate of income-tax may be taken at 40%. The other data available are as under:

Purchase of Machine:

Purchase price	Rs.2000000
Annual Maintenance (to be paid in advance)	Rs.50000 per year
Expected economic useful life	6 years
Depreciation (for tax purpose)	Straight line method
Salvage Value	Rs.200000

Leasing of Machinery:

Lease charges to be paid in advance	Rs.450000
Maintenance expenses to be borne by lessor.	
Payment of loan – 6 year – end instalment of	Rs.528474