

This question paper contains 3 printed pages]

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S. No. of Question Paper : 6356

Unique Paper Code : 2923062018

Name of the Paper : Investment Banking and Financial Services
(DSE)

Name of the Course : Bachelor of Management Studies (BMS)

Semester : IV/VI

Duration : 3 Hours

Maximum Marks : 90

(Write your Roll No. on the top immediately on receipt of this question paper.)

Attempt *all* the questions.

All the parts of the question must be attempted together.

All questions carry equal marks.

1. (a) What is investment banking ? Discuss various types of Investment Banks with reference to the services provided by them. 9
- (b) What are the pre and post issue obligations of a merchant banker ? 9
2. (a) Explain the book-building process of issuing an IPO. 9
- (b) While issuing an IPO, several intermediaries are involved. Explain the role and functions of all the intermediaries involved in the IPO process. 9

P.T.O.

3. (a) XYZ Ltd. has a total sale of Rs. 4.2 crores and its average collection period is 90 days. The past experience indicates that bad debts losses are 2.5% on sales. The expenditure incurred by the firm in administering its receivable collection are Rs. 6,00,000. A factor is prepared to buy the firm's receivables at 3% commission. The factor will pay an advance on receivables at an interest rate of 16% p.a. after withholding 10% as reserve. Calculate the monetary cost and effective cost of the factoring arrangement. 9
- (b) What are the pros and cons of taking factoring services from any factor ? How Factoring is different from Forfeiting ? 9
4. (a) Indian Drugs Ltd. is contemplating acquiring a machine for Rs 2,50,000. The machine would have an expected life of 8 years. The acquisition can be financed with an 8-year term loan at 10% interest repayable in equal annual instalments (including interest). Else, it can be taken on yearly lease rental of Rs. 45,000. In both the cases, payments are due at the end of each year. Assuming straight line depreciation and a 50% tax rate, which of the financing alternative should the firm choose ? 9
- (b) Explain the role of investment bankers in mergers and acquisitions. 9

5. Write short notes on any *three* of the following :

6×3

- (1) Hire Purchase *v/s* Leasing
- (2) Bought Out Deals
- (3) Red Herring Prospectus
- (4) SEBI's Investor Protection Guidelines
- (5) Private Placement.