[This question paper contains 4 printed pages.]

Your Roll No...............

Sr. No. of Question Paper : 1091 **L**

Unique Paper Code : 2922073603

Name of the Paper : Financial Services

Name of the Course : **BBA (FIA)**

Semester : VI

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. **All** questions carry equal marks.
3. Attempt any **five** questions.
4. Use of non-programmable scientific calculator is permitted.
5. If necessary, make suitable assumptions and state them clearly.

1. A growing company plans to raise ₹800 crore through an Initial Public Offering (IPO) in a competitive and volatile market. You have been appointed as the Lead Manager for the issue. As the lead manager, design the complete IPO strategy covering key aspects such as issue structure, pricing approach (including book building), marketing of the issue, investor targeting, and regulatory compliance. Also outline the step-by-step process you would follow from pre-issue planning to post-listing activities. Evaluate the major risks involved and suggest measures to ensure the success of the IPO. (18)

2. A startup founder with an innovative business idea but no stable cash flows is deciding between approaching a commercial bank or a venture capitalist for funding. Analyze the suitability of both sources of finance in this situation. Recommend the most appropriate option under different stages of business growth, justifying your answer with practical considerations such as risk, control, and repayment obligations. (18)

3. During a period of market volatility, a mutual fund faces heavy redemption pressure as investors withdraw their investments in large numbers. In the context of mutual funds, analyze the strategies a fund manager can adopt to manage such large-scale redemptions while safeguarding the interests of remaining investors, including liquidity management, portfolio adjustments, and regulatory provisions. Further, evaluate the impact of these strategies on the fund's performance, Net Asset Value (NAV), and investor confidence, and suggest measures to ensure stability and long-term sustainability of the mutual fund. (18)

4. A commercial bank is facing liquidity constraints due to a large portion of its funds being locked in long-term loans such as housing and auto loans, and therefore decides to adopt securitization as a financial strategy. In this context, explain the concept and complete process of securitization, identify the key participants involved and their roles, analyze how securitization helps in improving liquidity,

transferring risk, and maintaining capital adequacy, and discuss the potential risks and challenges associated with securitization along with its impact on overall financial stability. (18)

5. CBA Company has decided to acquire a ₹5,00,000 mechanical device with a useful life of 10 years. The device will be depreciated on a straight-line basis with no salvage value, and the applicable tax rate is 20%. The company is evaluating two financing options: leasing and borrowing. Under the leasing option, lease payments of ₹60,000 are to be made at the beginning of each year. Alternatively, the company can borrow funds at an interest rate of 18%, repayable in equal instalments, with debt payments also due at the beginning of each year. You are required to analyze and compare the two alternatives and recommend the most suitable option. (18)

6. Nim Enterprises Ltd. manages its accounts receivable internally through its sales and credit department. The cost of sales ledger administration stands at ₹10 crores annually. The company has a credit policy of 2/10, net 30. Past experience indicates that, on average, 30 percent of customers avail the discount by paying within 10 days, while the remaining receivables are collected on an average of 75 days after the invoice date. Bad debts of the company are currently 2.5 percent of total sales. The projected sales for the next year are ₹1,000 crores.
Nim Enterprises Ltd. finances its investment in debtors through a mix of bank credit and own long-term funds in the ratio of 60:40. The current cost of bank credit and long-term funds are 15 percent and 18 percent respectively.
With escalating costs associated with in-house management of debtors, coupled with the need to unburden management to focus on sales promotion, the company is examining the possibility of outsourcing its factoring services for managing receivables and has two proposals on hand with a guaranteed payment within 45 days.
The main elements of the proposal from Ape Factors Ltd. are: advance of 82 percent and 75 percent for recourse and non-recourse arrangements respectively; interest charge upfront at 22 percent with recourse and 24 percent without recourse; and commission of 4 percent without recourse and 2.5 percent with recourse.
The main elements of the proposal from Zen Factors Ltd. are: advance of 90 percent with recourse and 84 percent without recourse respectively; interest charge upfront at 18 percent with recourse and 21 percent without recourse; and commission upfront of 1.8 percent with recourse and 3 percent without recourse.
The Chief Marketing Manager is of the opinion that under the factoring arrangement, his staff would be able to focus exclusively on sales promotion, resulting in additional sales of 20 percent of projected sales.
You are required to evaluate the factoring proposals and advise the company whether it should continue managing receivables internally or opt for factoring. If factoring is preferred, select the most suitable option. (18)

PRESENT VALUE TABLE

Present value of $1, that is $(1+r)^{-n}$ where r = interest rate; n = number of periods until payment or receipt.

Periods	Interest rates (r)									
(n)	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149

Periods	Interest rates (r)									
(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.079	0.065
16	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054
17	0.170	0.146	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045
18	0.153	0.130	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038
19	0.138	0.116	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031
20	0.124	0.104	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026

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Periods (n)	Interest rates (r)									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759
10	9.471	8.983	8.530	8.111	7.722	7.360	7.024	6.710	6.418	6.145
11	10.368	9.787	9.253	8.760	8.306	7.887	7.499	7.139	6.805	6.495
12	11.255	10.575	9.954	9.385	8.863	8.384	7.943	7.536	7.161	6.814
13	12.134	11.348	10.635	9.986	9.394	8.853	8.358	7.904	7.487	7.103
14	13.004	12.106	11.296	10.563	9.899	9.295	8.745	8.244	7.786	7.367
15	13.865	12.849	11.938	11.118	10.380	9.712	9.108	8.559	8.061	7.606
16	14.718	13.578	12.561	11.652	10.838	10.106	9.447	8.851	8.313	7.824
17	15.562	14.292	13.166	12.166	11.274	10.477	9.763	9.122	8.544	8.022
18	16.398	14.992	13.754	12.659	11.690	10.828	10.059	9.372	8.756	8.201
19	17.226	15.679	14.324	13.134	12.085	11.158	10.336	9.604	8.950	8.365
20	18.046	16.351	14.878	13.590	12.462	11.470	10.594	9.818	9.129	8.514

Periods (n)	Interest rates (r)									
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	1.713	1.690	1.668	1.647	1.626	1.605	1.585	1.566	1.547	1.528
3	2.444	2.402	2.361	2.322	2.283	2.246	2.210	2.174	2.140	2.106
4	3.102	3.037	2.974	2.914	2.855	2.798	2.743	2.690	2.639	2.589
5	3.696	3.605	3.517	3.433	3.352	3.274	3.199	3.127	3.058	2.991
6	4.231	4.111	3.998	3.889	3.784	3.685	3.589	3.498	3.410	3.326
7	4.712	4.564	4.423	4.288	4.160	4.039	3.922	3.812	3.706	3.605
8	5.146	4.968	4.799	4.639	4.487	4.344	4.207	4.078	3.954	3.837
9	5.537	5.328	5.132	4.946	4.772	4.607	4.451	4.303	4.163	4.031
10	5.889	5.650	5.426	5.216	5.019	4.833	4.659	4.494	4.339	4.192
11	6.207	5.938	5.687	5.453	5.234	5.029	4.836	4.656	4.486	4.327
12	6.492	6.194	5.918	5.660	5.421	5.197	4.988	7.793	4.611	4.439
13	6.750	6.424	6.122	5.842	5.583	5.342	5.118	4.910	4.715	4.533
14	6.982	6.628	6.302	6.002	5.724	5.468	5.229	5.008	4.802	4.611
15	7.191	6.811	6.462	6.142	5.847	5.575	5.324	5.092	4.876	4.675
16	7.379	6.974	6.604	6.265	5.954	5.668	5.405	5.162	4.938	4.730
17	7.549	7.120	6.729	6.373	6.047	5.749	5.475	5.222	4.990	4.775
18	7.702	7.250	6.840	6.467	6.128	5.818	5.534	5.273	5.033	4.812
19	7.839	7.366	6.938	6.550	6.198	5.877	5.584	5.316	5.070	4.843
20	7.963	7.469	7.025	6.623	6.259	5.929	5.628	5.353	5.101	4.870