SIDDHARTH INSTITUTE OF ENGINEERING & TECHNOLOGY :: PUTTUR
Siddharth Nagar, Narayanavanam Road – 517583

QUESTION BANK (DESCRIPTIVE)

Subject with Code : Financial markets & services (18MB9029) **Course & Branch**: MBA

Year &Sem: II-MBA & III-Sem **Regulation:** R18

UNIT-1

1. Discuss the role of financial system in the economic development of a country.
2. Write short notes on the following items:
   a) Bank Rate b) Cash Reserve Ratio c) Bank innovation
3. Define financial system and discuss its important functions.
4. Discuss about Elements of financial system and economic development.
5. What are the important functions of Reserve Banks of India?
6. Briefly discuss the various techniques used for monetary control or maintain the price stability in India.
7. Explain the various objectives of monetary policy of Reserve Bank of India.
8. Trace out the development of the financial system in India.
9. What is monetary policy? Discuss the techniques of monetary control of RBI.
10. Describe the functions of RBI and write about monetary policy.

UNIT-II

1. "Commercial banks are special among the intermediaries for the development of the economy". Justify.
2. Write a short notes on :
   a) Bank Capital b) ATMs c) Micro Finance
3. Why the importance of co-operative banks in India? Explain the nature of the co-operative banks.
4. Write a detailed note on banking innovations.
5. Briefly explain the different life insurance policies in India.
6. Explain the structure and performance of banking institutions.
7. Discuss the role of insurance companies as well as IRDA.
8. Why is the general insurance market is smaller than the life insurance market in India?
9. Explain in brief about growth and structure of mutual funds in India.
10. Elucidate the Indian insurance industry and its regulations.

UNIT-III

1. Show the classification of Indian financial markets in the form of a chart and explain the features of each market.
2. What is a commercial paper? Explain its benefits to Industries.
3. Explain the relationship between Money market and Capital market.
4. Explain the role and functions of SEBI.
5. Write an essay on the functions of New Issue Market.
6. What do you know about certificate of deposit?
7.` What do you mean by listing of securities? Explain its process.
8. Describe in detail the method of trading in a stock exchange.
9. Distinguish between t-bill market and government securities market.
10. Explain the trading and settlement procedure in stock exchanges.

UNIT-IV

1. Discuss briefly some of the innovative financial instruments introduced in recent times in the financial services sector.
2. Explain the importance of housing finance.
3. Explain the different types of factoring and their significance.
4. What is venture capital? Explain the various stages of venture capital financing.
5. Write a note on consumer credit.
6. Distinguish between hire purchase and lease.
7. Explain the guidelines for venture capital in India.
8. Distinguish between hire purchase and installment lease.
9. Differentiate between financial lease and operating lease.
10. Write a short notes on :
    a) Forfeiting b) International factoringc) Bill of Exchang

UNIT-V

1. Explain the services of merchant bankers.
2. Classify the brokers and explain their functions.
3. Define a depository and state the objectives of depository.
4. What are the challenges faced by the Investment bankers.
5. Explain the working of various credit rating agencies in India.
6. The scope of merchant banking is great in India. Discuss.
7. Write a short notes on :
    a) CRISIL b) ICRA c) Underwriting
8. Explain different types of intermediaries in stock broking.
9. Discuss depository systems in India.
10. Write a short notes on :
    a) Pre-issue management b) Project Counseling c) Loan Syndication.

Case study 1:
A company is considering to lease an equipment which has a purchase price of 15,00,000. The equipment has an estimated useful life of 10 years. As per the tax rules a written down depreciation at 20% is allowed. The lease rentals per annum are Rs.3,50,000. The companies marginal tax rate is 33%. If the before tax borrowing rate for the company is 12%.

Questions:
(a)Should the company lease the equipments?

Case study 2:
XYZ Ltd., is in the business of manufacturing steel utensils. The firm is planning to diversify and add a new product line. The firm either can buy the required machine or get it on lease.The machine can be purchased for Rs.15,00,000. It is expected to have a life of 5 years with a salvage value of Rs.100,000 after the expiry of 5 years. The purchase can befinanced by 20% loan repayable in 5 equal annual installments (inclusive of interest) becoming due at the end of each year. Alternatively, the machine can be taken on year-end lease rentals of Rs.4,50,000 for 5 years. Advice the company on the option it should choose. For your exercise you may assume the following:

Questions:
(a)The machine will constitute a separate block for depreciation purposes. The company follows WDV method of depreciation, the rate of depreciation being 25%.
(b)Tax rate is 35% and cost of capital is 20%.
(c)Lease rentals are to be paid at the end of the year.
(d)Maintenance expenses estimated at Rs.30,000 p.a. are to be borne by the lessee.

Case study 3:
India is "significantly behind" other developing economies in terms of physical banking infrastructure. India has only 12 bank branches and 13 ATMs per 1,000 adults, compared to Brazil, which has about 4 times the number of branches and 10 times as many ATMs per 1,000 adults. The Indian financial services sector is experiencing a plethora of regulatory changes as it gears up to meet local and international standards, while balancing its commitment to financial inclusion. Branchless banking options such as business correspondents, payment instruments and mobile banking are gradually moving up in terms of priority for banks as they try to expand reach". RBI has over the years played a supportive role in increasing banking outreach and financial inclusion. RBI has encouraged "banks and other financial services providers to adopt various new technologies and business models for growth and profitability."

Questions:

What do you think is still required to be done by RBI and Commercial Banks in India to achieve 100% financial inclusion?

Case study 4:
In India the number of valid credit cards in circulation is more than 275 lakh the number of transactions is of the order of 2282 lakh and the amount of transactions Rs. 57,958 crore in the

year 2007-08. The debit cards have had a slow start and their growth only took off in the last one year. On the other hand, the credit cards grew faster since inception with the growth turning even sharper in the latest year. The annual rate of increase in the number of credit cards and its number of transactions is 16% and 25% respectively. Even the amount of transactions increased at a nominal rate of 28% per annum. The credit card system consists of a customer who holds a credit card from his issuing bank (called issuer), a merchant who has been given the facility of accepting credit cards by his acquiring bank (also called acquirer) and Master card/VISA, etc., whose networks are being used. In this system , first a merchant who decides to accept credit or debit cards in exchange for goods or services establishes a merchant account by forming a relationship with an acquiring bank. This relationship enables the merchant discount rate (MDR), which is paid by the merchant to the acquirer in consideration for card acceptance services. A MDR is the percentage of the sales that a merchant pays to the acquiring bank to process credit card transactions. This rate generally varies from 1% to 3%. Thus, considering the average MDR to be 2% , the revenue generated in the card business , through MDR only , is of the order of Rs. 1160 crore . On the other hand, the cardholder pays charges, etc., to his card issuing bank. The risk of default by credit card holders is borne by the issuing bank. The interchange fee on a purchase transaction flows from the merchant acquiring bank to the card is issuing bank . The settlement and credit transactions between the issuer and the acquirer are done using the network of Mastercard/VISA, who gets a share of the fee in exchange . In India, though competition guides acquirer- merchant pricing policies , it is generally understood that interchange fees is one component of the MDR established by acquires . the implementation of proper interchange rates is necessary and also very crucial for maintaining a strong and vibrant credit card payments network. The other major component of the MDR is the fee imposed by the acquirer which is retained by the acquirer www.jntuonline.com Page 3 of 3 to meet its own expenses. It is quite common so see a transaction at a merchant establishment involving a bank. Which are both the acquirer and the issuer? In such a situation it may be possible to reduce the interchange fee since the payment network is substantially reduced. However such reduced interchange fee is not generally passed on merchants. The banks and Master card/VISA generate revenue and make profit in the credit card system by charging interchange fees in the western countries big merchants have already realized this and ate in union in their demand for reduction in interchange fees. MasterCard USA, moving towards being more transparent, has now explicitly placed on its official website the Interchange Rates.

Questions:

a) Discuss the role if international agencies like MasterCard/VISA in the credit card subsystem?

b) Discuss the strategies for card issuers for generating more customer base and revenue