



INSTITUTE OF AERONAUTICAL ENGINEERING
(Autonomous)
Dundigal, Hyderabad - 500 043

MASTER OF BUSINESS ADMINISTRATION
TUTORIAL QUESTION BANK

Course Name	:	Financial Services and Systems
Course Code	:	CMB406
Class	:	III Semester
Branch	:	MBA
Academic Year	:	2018– 2019
Course Coordinator	:	Ms. Surabhi Lakshmi, Assistant professor
Course Faculty	:	Ms. Surabhi Lakshmi, Assistant professor

COURSE OBJECTIVES;

The course should enable the students to:

S. No	Description
I.	Understand the financial system and financial services scenario.
II.	Apply factoring, leasing, venture capital concepts.
III.	Emphasize merchant banking and capital budgeting methods.
IV.	Be aware on the importance of finance for economic well-being.
V.	Familiarise the students to basics of business, management, the legal environment, and issues relating to governance and ethics

COURSE LEARNING OUTCOMES:

Students, who complete the course, will have demonstrated the ability to do the following:

CCMB406.01	Gain knowledge about management of financial products and services.
CCMB406.02	Assess the importance of various traditional and modern financial services.
CCMB406.03	Obtain an insight in the concept of leasing and ability to evaluate financially to make lease or buy decisions.
CCMB406.04	Assess the significance of hire purchase along with the tax and legal framework.
CCMB406.05	Estimate the relevance of factoring in the financing of the business and critically evaluate the financial aspects of factoring for decision making.
CCMB406.06	Interpret the RBI guidelines and Sundaram committee recommendations on factoring.
CCMB406.07	Identify the characteristics of Bill discounting and its legal aspects and realize the discount charges and effective interest rates.
CCMB406.08	Comprehend the notion behind Venture capital financing, its process and funding and entry strategies of venture capital financing.
CCMB406.09	Recognize and use the valuation of venture capital financing methods in the start-up businesses along with the regulatory frame work.
CCMB406.10	Discern the knowledge of evolution of merchant banking, its functions and eligibility norms.

CCMB406.11	Ascertain the process of new issue management, initial public offering, SEBI guidelines relating to new issues of securities.
CCMB406.12	Demonstrate the concept of credit rating, symbols and grades, and its advantages.

TUTORIAL QUESTION BANK

Sl. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
UNIT-I			
FINANCIAL SYSTEM			
PART-A (SHORT ANSWER QUESTIONS)			
1	What are the components of Indian financial system?	Remember	CMB406.04
2	What are the financial services provided by our finance system?	Understand	CMB406.02
3	Which services come under fund based services?	Understand	CMB406.06
4	Which financial services come under non-fund based services?	Remember	CMB406.01
5	Define Financial Engineering?	Understand	CMB406.07
6	What are the new financial products and services?	Remember	CMB406.08
7	What are the new financial products in FOREX market?	Understand	CMB406.11
8	Who are the regulators of Indian Finance System?	Remember	CMB406.03
9	Expand ECGC and DICGC?	Understand	CMB406.02
10	Define Working capital Finance?	Remember	CMB406.01
11	Which services comes under financial services?	Understand	CMB406.02
12	Define term lending?	Remember	CMB406.05
13	Expand IIBI and SIDC?	Understand	CMB406.06
14	Write any five names of public sectors banks?	Remember	CMB406.04
15	What are the New generation banks in India?	Remember	CMB406.07
PART-B (LONG ANSWER QUESTIONS)			
1	Explain the growing importance of financial services in financial system?	Understand	CMB406.06
2	Explain traditional and modern activities of financial services?	Remember	CMB406.05
3	Distinguish between the fund based and non-fund based financial activities?	Understand	CMB406.08
4	Write a notes on new financial products and services in India?	Remember	CMB406.02
5	What is Financial Engineering? Discuss the need for financial innovation in India?	Understand	CMB406.03
6	Why does financial innovation occur? Explain it?	Remember	CMB406.01
7	Explain the role of technology in financial innovation	Understand	CMB406.04
8	Discuss the current scenario of financial services sector in India	Understand	CMB406.07
9	Explain the meaning and concept of financial services. What are the characteristics and objectives?	Remember	CMB406.01
10	What are the challenges faced by the financial service sector in India?	Understand	CMB406.02
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	Discuss the recent trends in Financial services in India	Remember	CMB406.03
2	Critically analyze the present position of the financial service sector in India and state the challenges it has to face in the years to come?	Analyze	CMB406.09
3	Critically analyze the current scenario for the Indian financial	Analyze	CMB406.11

Sl. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
	service industry?		
4	“Financial intermediaries transform funds in such a way as to make them more attractive”-comment.	Evaluate	CMB406.08
UNIT-II			
CONCEPT OF LEASING			
PART-A(SHORT ANSWER QUESTIONS)			
1	Define the term Leasing?	Remember	CMB406.06
2	What are the advantages of leasing?	Understand	CMB406.06
3	What do you understand by Hire Purchase?	Remember	CMB406.05
4	What are the legal and tax implication of Leasing?	Remember	CMB406.02
5	Who is lessor and who is lessee?	Understand	CMB406.06
6	What are the different types of lease?	Remember	CMB406.04
7	What is meant by break – even lease rental?	Understand	CMB406.04
8	Differentiate between leasing and hire purchasing?	Understand	CMB406.06
9	What are the limitations of leasing?	Remember	CMB406.03
10	Write the formulae for NPV and IRR?	Understand	CMB406.05
11	What are the features of hire purchasing?	Understand	CMB406.03
12	Which taxes come under in hire purchasing?	Remember	CMB406.03
13	Write the advantages of hire purchasing	Remember	CMB406.03
14	Which factors that contributed to growth of Indian leasing?	Understand	CMB406.03
15	Differentiate between financial lease and operating lease	Remember	CMB406.03
PART-B (LONG ANSWER QUESTIONS)			
1	Explain the legal and tax aspects of Hire Purchasing?	Remember	CMB406.06
2	What are the factors to be considered while deciding whether to buy an asset, lease it or take it on hire purchase?	Remember	CMB406.06
3	Determine the steps involved in leasing transaction.	Understand	CMB406.11
4	Classify different types of lease.	Understand	CMB406.06
5	Explain the applicability of NPV and IRR techniques in the evaluation of lease financing?	Remember	CMB406.06
6	Briefly explain the concept of tax and accounting aspects of leasing?	Understand	CMB406.06
7	Explain the procedure of lease documentation and contract?	Remember	CMB406.12
8	What do you understand by the financial evaluation of hire purchasing? Explain the flat and effective interest rates?	Understand	CMB406.04
9	Briefly examine the risks associated with leasing?	Remember	CMB406.04
10	Differentiate between leasing and hire purchasing? Explain with an examples?	Remember	CMB406.06
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	A finance Ltd. Company has structured a consumer credit deal for Rs. 800000. The monthly repayment periods are 6,18and 30 months. The equated monthly installments (EMI) are 135000, 46000 and 29000. Compute flat and effective rate of interest on each option?	Understand	CMB406.04
2	Elaborate the form and contents of Hire purchase agreement as per Hire Purchase Act.1972.	Remember	CMB406.06
3	Compute ERI for the following information. Cash down payment = 25% , EMI ‘S = 18, Flat rate of Interest	Understand	CMB406.12

Sl. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
	=16.5, Payment of installment in, (a) Advance, (b) Arear.		
4	'Leasing finance offers higher tax savings' whether the statement is true or false? Explain it?	Understand	CMB406.04
5	'In hire purchase, the ownership remains with the seller until the last installment is paid'. Whether the statement true or false? Give reason?	Remember	CMB406.06
6	<p>The following data relates to an asset to be leased by M/s Lessor Ltd.</p> <ul style="list-style-type: none"> • Cost of equipment is Rs. 1 lakh • Cost of capital of lessor is 12% • Tax rate 40% • Salvage value is Rs.20,000 after 5 years • Depreciation is charged according to straight line method • Direct cost to the lessor is Rs.500 at the of the 1st year • Estimated general administration cost in respect of the equipment, to the lessor is Rs.1500 per year. • If M/s lessor Ltd, desire to lease out the equipment to a lessee, they will receive an annual lease rent of Rs.36,000 for 5 years, a security deposit of Rs.3000 which is refundable at the end of the lease term and a sum of Rs. 1350 as non-returnable management fees payable at the time of inception of the lessor 	analyze	CMB406.09
UNIT-III			
FACTORING			
PART-A(SHORT ANSWER QUESTIONS)			
CIE-I			
1	Give an example for factoring process?	Remember	CMB406.
2	Define factoring and factor?	Remember	CMB406.11
3	State the function of factor.	Understand	CMB406.12
4	Write any two advantages of factoring?	Understand	CMB406.02
5	State the objectives of KalyanSundaram Committee	Remember	CMB406.09
6	What are the features of factoring?	Understand	CMB406.07
7	Write any three objectives of factoring?	Remember	CMB406.01
8	State the types of factoring.	Remember	CMB406.05
9	Write any two disadvantages of factoring?	Remember	CMB406.09
10	What are the principles of factoring?	Remember	CMB406.12
CIE-II			
1	Differentiate between factoring and bill discounting?	Understand	CMB406.06
2	Write the limitations of bill discounting?	Remember	CMB406.05
3	State the process of bill discounting	Remember	CMB406.05
4	What are the characteristics of bill discounting?	Understand	CMB406.08
5	Who is drawer?	Understand	CMB406.09
6	Write the advantages of bill discounting?	Remember	CMB406.11
7	Who are the parties involved in bill discounting process?	Understand	CMB406.12

Sl. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
8	What is meant by drawer bill system?	Understand	CMB406.07
9	Who is drawee?	Remember	CMB406.13
10	Write a short notes on Drawee bill system?	Understand	CMB406.10
CIE-I			
PART-B(LONG ANSWER QUESTIONS)			
1	Explain the significance and recent trends in factoring system in India.	Remember	CMB406.07
2	Define factoring, explain the concept and mechanism of factoring.	Understand	CMB406.10
3	What are the features, advantages and disadvantages of factoring?	Remember	CMB406.11
4	What is factoring? Explain the various types or forms of factoring.	Remember	CMB406.11
5	Discuss in detail the various services rendered by factoring intermediaries.	Understand	CMB406.12
6	Explain the legal aspects of financial evaluation of factorial services.	Understand	CMB406.12
7	What is factoring? Explain how the evaluation of factorial services is done.	Remember	CMB406.05
8	Discuss the emerging trends in factoring and state RBI guidelines.	Remember	CMB406.07
9	Evaluate the financial implications of factorial services.	Understand	CMB406.09
10	Summarize the Kalyanasundaram Standing Committee report?	Understand	CMB406.02
CIE-II			
1	Discuss the legal obligations and financial aspects of parties involved in bill discounting,	Remember	CMB406.05
2	Define bill discounting? Explain the concept of Bill Discounting?	Remember	CMB406.05
3	Write a note on calculation of discount charges and effective interest rate?	Understand	CMB406.08
4	Discuss the features and advantages of bill discounting process?	Understand	CMB406.09
5	How does factoring is differ from bills discounting and cash credit?	Remember	CMB406.11
6	What is meant by bill discounting? What are the legal aspects of bill discounting?	Understand	CMB406.12
7	What is bill discounting? Explain its characteristics?	Understand	CMB406.07
8	List out the steps involved in discounting and purchasing of commercial bills of exchange? Explain each of it.	Remember	CMB406.13
9	What do you mean by bill discounting? Describe the parties involved in bill discounting.	Understand	CMB406.10
10	Describe in detail about bill discounting process.	Understand	CMB406.12
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	Factoring exists in different forms in India - Elucidate	Remember	CMB406.11

Sl. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
2	Illustration, the matrix finance Ltd, discounts its client's bills at the rate mentioned below. (i) L/C backed bills, 24 percent per annum (ii) Clean bill, 26 percent per annum required Calculate the effective rate of interest implicit in the two types of bills assuming usance period of (a) 90 days for the L/C – based and (b) 60 days for the clean bill and value of the bill Rs.15000	analyze	CMB406.03
3	Examine the problems and prospects of factoring services in India.	analyze	CMB406.04
4	Outline the characteristics and process of bills discounting.	Evaluate	CMB406.08
5	Discuss in detail the various services rendered by factoring intermediaries.	Evaluate	CMB406.12
6	Examine the recent trends in bill discounting.		
UNIT-IV			
VENTURE CAPITAL FINANCING			
PART-A (SHORT ANSWER QUESTIONS)			
1	How do you choose a venture capital firm?	Remember	CMB406.02
2	What is corporate venturing?	Understand	CMB406.05
3	State the features of venture capital	Remember	CMB406.11
4	What is First Chicago method?	Understand	CMB406.09
5	Write any four advantages of venture capital financing?	Understand	CMB406.07
6	What are Exit Strategies for Venture Capital Funds?	Remember	CMB406.13
7	Write the disadvantages of venture capital finance?	Understand	CMB406.12
8	What are the features of venture capital?	Remember	CMB406.05
9	What is meant by venture capital undertaking?	Understand	CMB406.07
10	Write about venture capital funding process?	Remember	CMB406.08
11	How many methods are adopted by venture capital institution? What are they?	Remember	CMB406.09
12	Define venture capital?	Understand	CMB406.11
13	Write about the Current Scenario of Venture Capital Financing In India	Remember	CMB406.12
14	How many types are there venture capital funding?	Understand	CMB406.12
15	Write about early stage financing?	Understand	CMB406.11
PART-B (LONG ANSWER QUESTIONS)			
1	What are the key factors for consideration in venture capital financing?	Understand	CMB406.06
2	What is meant by venture capital? Explain the concept of venture capital?	Remember	CMB406.04
3	Discuss the exit strategies adopted by venture capital firms.	Understand	CMB406.05
4	Explain the structuring of venture capital financing in India	Remember	CMB406.05
5	Discuss the regulatory framework of VCF in Indian business environment.	Understand	CMB406.08
6	Write about the funding and entry strategies of venture capital	Understand	CMB406.07

Sl. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
	financing in India.		
7	Give a detailed overview of venture capital financing scenario in India.	Remember	CMB406.09
8	Discuss in detail the steps involved in venture capital funding process?	Remember	CMB406.10
9	Discuss about various methods of venture capital financing evaluation.	Remember	CMB406.11
10	What is the need of venture capital? Briefly describe the main features of venture capital.	Understand	CMB406.11
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1	Trace the origin and growth of venture capital. How does it impact the economy of country?	Evaluate	CMB406.12
2	Elaborate the provisions relating to share capital of a venture capital firm and transfer restriction.	Evaluate	CMB406.11
3	“The important aspect of exit stage of Venture Capital financing is the decision regarding the realization / disinvestment alternatives which are related to type of investment”. Elaborate.	Understand	CMB406.12
4	Examine the performance of TDICI and other venture capital firms in India.	Evaluate	CMB406.11
5	Critically examine the performance of other venture capital firms in India.	analyze	CMB406.04
UNIT-V			
MERCHANT BANKING			
PART-A(SHORT ANSWER QUESTIONS)			
1	How many credit rating agencies are there in India? What are they?	Understand	CMB406.05
2	Expand CRISIL and ICRA?	Understand	CMB406.06
3	What are the advantages of Credit rating?	Understand	CMB406.08
4	Who is lead manager?	Remember	CMB406.09
5	What do you understand by the term ‘under writer’?	Remember	CMB406.04
6	State functions of registrar to issue?	Understand	CMB406.01
7	What is Book building?	Remember	CMB406.02
8	Distinguish between underwriter and Lead manager	Understand	CMB406.08
9	What is Green shoe option?	Understand	CMB406.09
10	Who are stock brokers?	Remember	CMB406.04
11	What are the responsibilities of lead manager?	Remember	CMB406.01
12	What is meant by Issue management process?	Understand	CMB406.15
13	Who is portfolio manager?	Understand	CMB406.11
14	What are the duties of portfolio manager?	Remember	CMB406.12
15	Write about symbols of rating and grading?	Understand	CMB406.09
PART-B(LONG ANSWER QUESTIONS)			
1	State the significance and functions of merchant bankers under competitive environment?	Remember	CMB406.07
2	Explain merchant banking activities and SEBI guidelines related to issue management.	Remember	CMB406.08

Sl. No	QUESTION	Blooms Taxonomy Level	Course learning Outcome
3	Define merchant banking. Explain the evolution of merchant banking in India.	Understand	CMB406.09
4	What is credit rating? Explain the importance of credit rating?	Apply	CMB406.09
5	Discuss the legal framework of merchant banking system in India.	Remember	CMB406.05
6	Explain in detail about eligibility norms of companies issuing securities,	Understand	CMB406.11
7	What is Issue management? Explain in detail the role of merchant bankers in pre-issue management?	Understand	CMB406.11
8	Explain the various credit rating methods and state its utility to the investor's decisions.	Remember	CMB406.12
9	Who is merchant banker? Explain the principal qualities of successful merchant banker.	Understand	CMB406.12
10	Explain the methodology adopted by various credit rating agencies in India	Remember	CMB406.08
PART-C (PROBLEM SOLVING AND CRITICAL THINKING QUESTIONS)			
1.	Critically evaluate the performance of credit rating in India?	Remember	CMB406.06
2	Discuss the pros and cons of book – building process and also IPO	Understand	CMB406.12
3	Make a critical appraisal of the role of merchant bankers in India.	Understand	CMB406.02
4	“Merchant banker acts as a banker to an issue”. Discuss.	Apply	CMB406.09
5.	Elucidate the rationale of credit rating agencies in India	Evaluate	CMB406.12

HOD-MBA