

FINANCIAL SERVICES

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1. What is financial service?

↳ Financial service, as a part of financial system provides different types of finance through various credit instrument, financial products and services.

↳ In financial instrument, we come across cheque, bills, promissory note, etc. In financial products, types of mutual funds, extending types of investment opportunities.

2. Define the term "Merchant banking"?

According to Mr. Rosenberg "An organisation that underwrite securities for corporations, advises such clients on mergers, and is involved in the ownership of commercial ventures."

3. What is "corporate counselling"?

Merchant bankers provide counselling services to companies with regard to their timing of issue of shares, capital structure and other promotional aspects with regard to the company.

4. What is a financial services market?

A market that comprises participants such as commercial banks that provide various financial services like ATM, credit card etc. The various constituents in non-depository market are mutual funds, pension funds.

5. Write any two functions of merchant banking?

incorporate counselling → Merchant banks provide counselling services to companies with regard to their timing of issue of shares, capital structure.

in capital structure → Here, the amount of capital required, raising of the capital, debt-equity ratio, issue of shares and debentures, working capital etc.

6. What is financial loss?

Financial loss is a loss of money or decrease in financial value. Non payment, non remittal, default-loss resulting from failure of a debt to be paid.

7. Write any two merits of lease financial.

⇒ Most of the leasing agreements are modified according to the requirements of the lease.

⇒ The lessee is able to derive the benefits out of the assets without owning it.

8. Define the term "leasing"?

"A lease is a form of contract transferring the use or occupancy of land space structure and equipment in consideration of a payment of a usually in form of a rent."

9. What is wet leasing?

A wet leasing is any leasing arrangement whereby a company agrees to provide an aircraft and at least one pilot to another company.

10. What is a full payout lease?

A full payout lease is one in which the lessee recovers the full value of the leased asset by way of leasing.

In case of a non pay out lease, the lessee leases out the same asset over and over again.

11. What is hire purchase?

A hire purchase, known as installment plan is an arrangement whereby a customer agrees to a contract to acquire an asset by paying an initial instalment and repays the balance of price of the asset plus interest over a period of time.

12. What is AMC?

AMC stands for Annual Maintenance contract. It is also known as Annual Maintenance charge. It is offered by all manufacturers after sales. It is the term that relates the buyer and the Supplier.

13. Define the term "Mutual funds"?

"A Mutual fund is a professionally managed investment scheme, usually run by an asset Management company that brings together a group of people and invests their money in stocks, bonds and other securities."

14. Write a short note on LIC ?

Life insurance is called contract of guarantee as only the guaranteed amount is payable either on the death of the policy holder before the maturity period, or survival of the policy holder on the date of maturity.

15. What is UTI ?

Unit Trust of India is a statutory public sector investment institution which was set up in Feb 1964 under Unit Trust of India Act 1963.

It provides opportunity for small-savers to invest in areas where their risk is diversified.

16. Write any two objectives of Mutual funds:

↳ Current income

↳ Long-term growth

↳ Growth and income

↳ Balanced.

11. What is Venture capital?

↳ The economic development of a country will be rapid when more ventures are promoted which require modern technology and venture capital.

↳ Venture capital cannot be provided by individual companies as it involves more risks.

12. Write any two advantages of venture capital?

→ Venture capital provides the funding that a company needs to expand its business.

→ Venture capital is that they allow entrepreneurs to build their company with OPM.

13. Define "Venture capital".

"Venture capital is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential."

Q. What is mode of venture?

Venture capitalist carry out substantial financial support to provide enough flexibility to meet the requirement of the company.

The venture capitalist typically makes an investment in..

↳ Equity

↳ Quasi equity.

Q. Define the term "factoring"?

"Factoring is a financial transaction and a type of debtor finance in which a business sells its accounts receivable (i.e. invoices) to a third party (called a factor) at a discount."

Q. What is factoring?

↳ Factoring is an arrangement between the financial institution and the business concern which is selling goods on credit.

↳ There are three parties in factor agreement. The Supplier or the Seller, the buyer and the factor.

Q3 What is "Export factoring"?

Export factoring means purchase, funding, management and collection of short term accounts receivable based on goods and services provided to foreign buyers.

Q4 What is "Bulk factoring"?

In bulk factoring agreements, financing is provided for the current total value of the client's accounts receivable, rather than the usual practice of factoring invoice.

Q5 Write any two differences between Discounting and factoring.

Factoring	Discounting
It The factor collects the bill on his own.	It The drawee of the bill makes payment to the banker on the due date.
It Factoring is a services agreement as well as financing arrangement.	It It is purely a financial arrangement of a short-term nature.