

# **SRM VALLIAMMAI ENGINEERING COLLEGE**

**(An Autonomous Institution)**

SRM Nagar, Kattankulathur – 603 203

## **DEPARTMENT OF MANAGEMENT STUDIES**

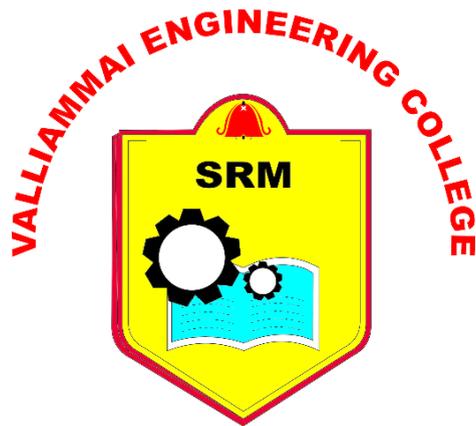
### **QUESTION BANK**

#### **III SEMESTER**

#### **PBA204 – MERCHANT BANKING AND FINANCIAL SERVICES**

**Regulation – 2023**

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**Prepared by**

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## UNIT I: INTRODUCTION

**SYLLABUS:** Introduction – Nature and Scope of Merchant Banking – Legal and Regulatory Framework - Structure - Merchant Banking in India – An Overview of Indian Financial System – NBFC’S Offering Merchant Banking – Banking System – Types of Banks – Payment Banking – Relevant Provisions of Companies Act – SERA – SEBI Guidelines

### PART- A

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Define merchant banking.	Remembering	Level 1	CO1
2.	List any two functions of a merchant banker.	Remembering	Level 1	CO1
3.	Differentiate between commercial banking and merchant banking.	Understanding	Level 2	CO1
4.	State the importance of merchant banking in capital markets.	Understanding	Level 2	CO1
5.	What is meant by a financial system?	Remembering	Level 1	CO1
6.	Name two important regulators in the Indian financial system.	Remembering	Level 1	CO1
7.	Describe the structure of the Indian banking system.	Understanding	Level 2	CO1
8.	What are the key functions of SEBI in regulating merchant banking?	Understanding	Level 2	CO1
9.	Name two important regulators in the Indian financial system.	Remembering	Level 1	CO1
10.	What is SEBI?	Remembering	Level 1	CO1
11.	Write the full form of SERA.	Remembering	Level 1	CO1
12.	How do NBFCs support the merchant banking ecosystem?	Understanding	Level 2	CO1
13.	Discuss the nature of merchant banking services.	Understanding	Level 2	CO1
14.	What are the objectives of the Companies Act with regard to capital markets?	Understanding	Level 2	CO1
15.	State two features of merchant banking.	Remembering	Level 1	CO1
16.	Name any two types of banks in India.	Remembering	Level 1	CO1
17.	Define NBFC.	Remembering	Level 1	CO1
18.	What is a Payment Bank?	Remembering	Level 1	CO1
19.	Discuss the relevance of SERA in capital market regulation.	Understanding	Level 2	CO1
20.	How does SEBI ensure investor protection?	Understanding	Level 2	CO1
21.	Describe the scope of merchant banking in India.	Understanding	Level 2	CO1
22.	What is the role of payment banks in financial inclusion?	Understanding	Level 2	CO1

23.	Mention two examples of financial instruments handled by merchant banks.	Remembering	Level 1	CO1
24.	What does capital market include?	Understanding	Level 1	CO1
25	Who is a financial intermediary?	Understanding	Level 2	CO1

**PART- B**

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Explain the nature and scope of merchant banking with suitable examples.	Applying	Level 3	CO1
2.	Discuss the various functions performed by merchant bankers in India.	Applying	Level 3	CO1
3.	Analyze the legal and regulatory framework governing merchant banking in India.	Applying	Level 4	CO1
4.	Explain the organizational structure of a typical merchant banking firm.	Analysing	Level 4	CO1
5.	Evaluate the role of SEBI in regulating merchant banking activities in India.	Analysing	Level 4	CO1
6.	Discuss the development of merchant banking in India and highlight its current scenario.	Applying	Level 4	CO1
7.	Compare and contrast commercial banking and merchant banking.	Applying	Level 3	CO1
8.	Explain the structure of the Indian financial system and its components.	Applying	Level 3	CO1
9.	Discuss the role and importance of NBFCs in offering merchant banking services.	Applying	Level 3	CO1
10.	Analyze the banking system in India and explain the types of banks.	Analysing	Level 4	CO1
11.	Discuss the role and functioning of payment banks in India with examples.	Applying	Level 4	CO1
12.	Explain the relevant provisions of the Companies Act applicable to merchant banking.	Analysing	Level 4	CO1
13.	Apply the key features of the Securities Contracts (Regulation) Act (SCRA).	Applying	Level 3	CO1
14.	Examine the various SEBI guidelines related to merchant banking.	Applying	Level 3	CO1
15.	Evaluate the contribution of NBFCs in financial intermediation and merchant banking.	Analysing	Level 3	CO1
16.	Discuss how the Companies Act supports transparency in merchant banking services.	Applying	Level 4	CO1
17.	Analyze the challenges faced by merchant bankers in the Indian financial market.	Analysing	Level 4	CO1

## UNIT II: ISSUE MANAGEMENT

**SYLLABUS:** Role of Merchant Banker In Appraisal of Projects, Designing Capital Structure and Instruments – Issue Pricing – Book Building – Preparation of Prospectus Selection of Bankers, Advertising Consultants – Role of Registrars – Bankers to the Issue, Underwriters and Brokers – Offer for Sale – Green Shoe Option – E-IPO, Private Placement – Bought Out Deals – Placement with FIs, MFs, FIIs – Off Shore Issues – Issue Marketing – Advertising Strategies – NRI Marketing – Post Issue Activities.

### PART- A

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Define issue management.	Remembering	Level 1	CO2
2.	What is a prospectus?	Remembering	Level 1	CO2
3.	Who is an underwriter?	Remembering	Level 1	CO2
4.	What is meant by book building?	Remembering	Level 1	CO2
5.	Differentiate between book building and fixed price issue.	Understanding	Level 2	CO2
6.	Explain the role of a merchant banker in project appraisal.	Understanding	Level 2	CO2
7.	How does capital structure design affect a new issue?	Understanding	Level 2	CO2
8.	Why is issue pricing important in IPOs?	Understanding	Level 2	CO2
9.	Define E-IPO.	Remembering	Level 1	CO2
10.	What is a private placement?	Remembering	Level 1	CO2
11.	What is meant by "bought-out deal"?	Remembering	Level 1	CO2
12.	Mention any two post-issue activities.	Remembering	Level 1	CO2
13.	Describe the steps in preparing a prospectus.	Understanding	Level 2	CO2
14.	What are the functions of underwriters in issue management?	Understanding	Level 2	CO2
15.	How does a Green Shoe Option benefit an issuer?	Understanding	Level 2	CO2
16.	Explain the advantages of E-IPO over traditional methods.	Understanding	Level 2	CO2
17.	Define offer for sale.	Remembering	Level 1	CO2
18.	What is NRI marketing?	Remembering	Level 1	CO2
19.	Name two institutional investors involved in private placements.	Remembering	Level 1	CO2
20.	Explain the advantages of E-IPO over traditional methods.	Understanding	Level 2	CO2
21.	What is the role of brokers in the issue process?	Understanding	Level 2	CO2

22.	Discuss how merchant bankers coordinate with registrars and bankers to the issue.	Understanding	Level 2	CO2
23.	How is private placement different from public offering?	Understanding	Level 2	CO2
24.	What are the key features of bought-out deals?	Understanding	Level 2	CO2

**PART- B**

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Explain the role of a merchant banker in the appraisal of projects.	Applying	Level 3	CO2
2.	Describe how a merchant banker designs capital structure and instruments.	Applying	Level 3	CO2
3.	Analyze the methods used for issue pricing and their relevance in current markets.	Applying	Level 3	CO2
4.	Explain the process of book building and its advantages.	Analysing	Level 4	CO2
5.	Discuss the key components in the preparation of a prospectus.	Applying	Level 4	CO2
6.	Evaluate the criteria for selecting bankers and advertising consultants for a public issue.	Analysing	Level 4	CO2
7.	Discuss the role of registrars and bankers to the issue in capital market operations.	Applying	Level 3	CO2
8.	Explain the functions of underwriters and brokers in issue management.	Applying	Level 3	CO2
9.	Apply the concept of offer for sale and its importance in public issues.	Applying	Level 3	CO2
10.	Explain the Green Shoe Option and its impact on stabilizing share prices.	Analysing	Level 4	CO2
11.	How can a company use the E-IPO process to raise funds? Explain with benefits.	Analysing	Level 3	CO2
12.	Differentiate between private placement and public issue with suitable examples.	Analysing	Level 4	CO2
13.	Explain the concept and process of bought out deals.	Applying	Level 3	CO2
14.	Discuss the importance of placements with Financial Institutions, Mutual Funds, and FIIs.	Applying	Level 3	CO2
15.	Analyze the procedures and challenges in raising capital through offshore issues.	Applying	Level 3	CO2
16.	Discuss the various issue marketing strategies adopted by merchant bankers.	Applying	Level 3	CO2
17.	Explain how advertising strategies influence public issue performance.	Analysing	Level 4	CO2

**UNIT III: OTHER FEE BASED SERVICES****SYLLABUS:** Mergers and Acquisitions – Procedure, Differences, Financial Evaluation – Portfolio Management Services – Credit Syndication – Credit Rating – Rating Methodology, Role of Credit Rate.**PART- A**

<b>S.NO</b>	<b>QUESTIONS</b>	<b>COMPETENCE</b>	<b>BT LEVEL</b>	<b>CO LEVEL</b>
1.	Define mergers.	Remembering	Level 1	CO3
2.	Define acquisitions.	Remembering	Level 1	CO3
3.	What is synergy in M&A?	Remembering	Level 1	CO3
4.	Explain the difference between a merger and an acquisition.	Understanding	Level 2	CO3
5.	Why do companies opt for mergers?	Understanding	Level 2	CO3
6.	Describe the financial evaluation in an M&A deal.	Understanding	Level 2	CO3
7.	Name two types of mergers.	Understanding	Level 2	CO3
8.	What is horizontal merger?	Remembering	Level 1	CO3
9.	Mention any two objectives of acquisition.	Remembering	Level 1	CO3
10.	Explain the role of merchant bankers in M&A transactions.	Understanding	Level 2	CO3
11.	How does credit syndication help companies?	Understanding	Level 2	CO3
12.	Discuss the process of credit syndication.	Understanding	Level 2	CO3
13.	What are the key features of PMS?	Understanding	Level 2	CO3
14.	What is credit syndication?	Remembering	Level 1	CO3
15.	Define term loan.	Remembering	Level 1	CO3
16.	What is the role of a lead manager in credit syndication?	Remembering	Level 1	CO3
17.	Define credit rating.	Remembering	Level 1	CO3
18.	Differentiate between discretionary and non-discretionary PMS.	Understanding	Level 2	CO3
19.	Explain the methodology used in credit rating.	Understanding	Level 2	CO3
20.	What is the importance of a credit rating for investors?	Remembering	Level 1	CO3
21.	What is the full form of CRISIL?	Remembering	Level 1	CO3
22.	List any two credit rating agencies in India.	Remembering	Level 1	CO3
23.	What is the meaning of debt instrument?	Remembering	Level 1	CO3
24.	What are the regulatory requirements for credit rating agencies in India?	Understanding	Level 2	CO3

**PART- B**

<b>S.NO</b>	<b>QUESTIONS</b>	<b>COMPETENCE</b>	<b>BT LEVEL</b>	<b>CO LEVEL</b>
1.	Explain the procedure for mergers and acquisitions in India.	Applying	Level 3	CO3
2.	Differentiate between mergers and acquisitions with suitable examples.	Applying	Level 3	CO3
3.	Analyze the financial evaluation techniques used in mergers and acquisitions.	Applying	Level 3	CO3
4.	Discuss the legal and regulatory aspects involved in mergers and acquisitions.	Applying	Level 4	CO3
5.	Evaluate the role of merchant bankers in mergers and acquisitions.	Analysing	Level 4	CO3
6.	Compare the different types of mergers and analyze how each type affects the companies involved. Support your answer with examples.	Analysing	Level 4	CO3
7.	Explain the post-merger integration challenges and strategies.	Applying	Level 3	CO3
8.	Discuss the concept and functions of Portfolio Management Services (PMS).	Applying	Level 3	CO3
9.	Differentiate between discretionary and non-discretionary portfolio management.	Applying	Level 3	CO3
10.	Explain the role of merchant bankers in offering portfolio management services.	Analysing	Level 4	CO3
11.	How can a company use credit syndication to raise large funds? Explain the process with an example.	Analysing	Level 4	CO3
12.	Analyze the functions of a lead manager in credit syndication.	Analysing	Level 4	CO3
13.	Explain how merchant bankers assist in credit syndication for large projects.	Applying	Level 3	CO3
14.	Define credit rating and explain its importance in financial markets.	Applying	Level 3	CO3
15.	Discuss the rating methodology followed by credit rating agencies in India.	Applying	Level 3	CO3
16.	Compare and contrast credit rating symbols used by major rating agencies.	Analysing	Level 4	CO3
17.	Evaluate the advantages and limitations of credit rating.	Analysing	Level 4	CO3

**UNIT IV: FUND BASED FINANCIAL SERVICES****SYLLABUS:** Leasing and Hire Purchasing – Basics and Types of Lease – Benefits of the Lease Financing – Hire Purchasing– Difference Between Lease and Hire Purchase – Financial Evaluation.**PART- A**

<b>S.NO</b>	<b>QUESTIONS</b>	<b>COMPETENCE</b>	<b>BT LEVEL</b>	<b>CO LEVEL</b>
1.	What is leasing?	Remembering	Level 1	CO4
2.	Name any two types of leases.	Remembering	Level 1	CO4
3.	Define financial lease.	Remembering	Level 1	CO4
4.	Distinguish between financial and operating lease.	Understanding	Level 2	CO4
5.	Explain how lease financing benefits small enterprises.	Understanding	Level 2	CO4
6.	Describe the structure of a typical lease agreement.	Understanding	Level 2	CO4
7.	Define hire purchase.	Remembering	Level 1	CO4
8.	Mention two characteristics of hire purchase.	Remembering	Level 1	CO4
9.	What is the full ownership clause in hire purchase?	Remembering	Level 1	CO4
10.	Write any two differences between lease and hire purchase.	Remembering	Level 1	CO4
11.	How does lease financing improve liquidity for businesses?	Understanding	Level 2	CO4
12.	What are the tax implications of leasing?	Understanding	Level 2	CO4
13.	What is the importance of financial evaluation in leasing?	Understanding	Level 2	CO4
14.	Describe the concept of ownership transfer in hire purchase.	Understanding	Level 2	CO4
15.	What is an operating lease?	Remembering	Level 1	CO4
16.	What is lease rental?	Remembering	Level 1	CO4
17.	Define lessee and lessor.	Remembering	Level 1	CO4
18.	What is EMI in hire purchase?	Remembering	Level 1	CO4
19.	How does hire purchase differ from installment sale?	Understanding	Level 2	CO4
20.	Explain the benefits of hire purchase for consumers.	Understanding	Level 2	CO4
21.	Describe how merchant bankers participate in leasing finance.	Understanding	Level 2	CO4
22.	What are the legal aspects of a hire purchase agreement?	Understanding	Level 2	CO4
23.	What is the residual value in leasing?	Remembering	Level 1	CO4
24.	Name any two assets commonly acquired under leasing.	Remembering	Level 1	CO4

**PART- B**

<b>S.NO</b>	<b>QUESTIONS</b>	<b>COMPETENCE</b>	<b>BT LEVEL</b>	<b>CO LEVEL</b>
1.	Explain the concept of leasing and its importance in financial services.	Applying	Level 3	CO4
2.	Analyze the different types of lease and explain how each type affects the financial position of the lessee with suitable examples.	Analysing	Level 3	CO4
3.	Discuss the advantages and disadvantages of lease financing to lessee and lessor.	Applying	Level 3	CO4
4.	Analyze the key components involved in a lease agreement.	Analysing	Level 4	CO4
5.	Differentiate between financial lease and operating lease.	Analysing	Level 4	CO4
6.	Evaluate the benefits of lease financing for corporate firms.	Analysing	Level 4	CO4
7.	Explain the process of lease structuring and pricing.	Analysing	Level 4	CO4
8.	Discuss the accounting and tax implications of lease transactions.	Analysing	Level 4	CO4
9.	Explain the concept of hire purchase and how it operates in India.	Applying	Level 3	CO4
10.	Compare and contrast leasing and hire purchase with examples.	Applying	Level 3	CO4
11.	Explain the legal framework governing hire purchase agreements.	Applying	Level 3	CO4
12.	Discuss the types and features of hire purchase financing.	Applying	Level 3	CO4
13.	Analyze the benefits and limitations of hire purchasing to buyers and sellers.	Analysing	Level 4	CO4
14.	Evaluate the financial viability of lease vs. hire purchase using NPV or IRR method.	Analysing	Level 4	CO4
15.	Explain the risks involved in leasing and how they are managed.	Analysing	Level 4	CO4
16.	Discuss the role of banks and NBFCs in providing lease and hire purchase services.	Applying	Level 3	CO4
17.	Examine the regulatory framework related to leasing and hire purchasing in India.	Applying	Level 3	CO4

### UNIT V: OTHER FUND BASED FINANCIAL SERVICES

**SYLLABUS:** Consumer Credit – Credit Cards – Real Estate Financing – Bills Discounting – Role of RBI in Bills Discounting – Factoring and Forfeiting – Venture Capital – Introduction – Types – Process – Role of VC Institutions – Benefits.

#### PART- A

S.NO	QUESTIONS	COMPETENCE	BT LEVEL	CO LEVEL
1.	Define consumer credit.	Remembering	Level 1	CO5
2.	Name two types of consumer credit.	Remembering	Level 1	CO5
3.	What is a credit card?	Remembering	Level 1	CO5
4.	Mention any two features of a credit card.	Remembering	Level 1	CO5
5.	Explain how credit cards support consumer spending.	Understanding	Level 2	CO5
6.	Describe the process of bills discounting.	Understanding	Level 2	CO5
7.	Differentiate between factoring and forfeiting.	Understanding	Level 2	CO5
8.	Explain how venture capital supports startups.	Understanding	Level 2	CO5
9.	What is bills discounting?	Remembering	Level 1	CO5
10.	What is real estate financing?	Remembering	Level 1	CO5
11.	What are the key elements of consumer credit evaluation?	Understanding	Level 2	CO5
12.	Define forfeiting.	Remembering	Level 1	CO5
13.	List any two VC institutions in India.	Remembering	Level 1	CO5
14.	Mention two benefits of factoring.	Remembering	Level 1	CO5
15.	Explain the benefits of real estate finance to developers.	Understanding	Level 2	CO5
16.	What is the process of issuing credit cards by banks?	Understanding	Level 2	CO5
17.	Discuss the credit risk in real estate financing.	Understanding	Level 2	CO5
18.	List any two VC institutions in India.	Remembering	Level 1	CO5
19.	Mention two benefits of factoring.	Remembering	Level 1	CO5
20.	Name two risks in real estate finance.	Remembering	Level 1	CO5
21.	What is the role of RBI in bills discounting?	Remembering	Level 1	CO5
22.	What is a personal loan?	Remembering	Level 1	CO5
23.	Name two types of venture capital.	Remembering	Level 1	CO5
24.	Describe the advantages of forfeiting in export financing.	Understanding	Level 2	CO5

**PART- B**

<b>S.NO</b>	<b>QUESTIONS</b>	<b>COMPETENCE</b>	<b>BT LEVEL</b>	<b>CO LEVEL</b>
1.	Explain the concept of consumer credit and its significance in financial services.	Applying	Level 3	CO5
2.	Discuss the different types of consumer credit offered in India.	Applying	Level 3	CO5
3.	How can credit cards be used to promote consumer finance? Explain with practical examples.	Applying	Level 3	CO5
4.	Analyze the advantages and disadvantages of credit cards to consumers and banks.	Applying	Level 3	CO5
5.	Explain the risk management strategies adopted in credit card services.	Analysing	Level 4	CO5
6.	Analyze the concept of real estate financing and evaluate its impact on fund-based financial services. Provide examples to support your answer.	Analysing	Level 4	CO5
7.	Discuss the sources and methods of financing in the real estate sector.	Analysing	Level 4	CO5
8.	Evaluate the benefits and challenges of real estate financing in India.	Analysing	Level 4	CO5
9.	Explain the concept and process of bills discounting.	Applying	Level 3	CO5
10.	Analyze the role of the RBI in regulating bills discounting activities.	Applying	Level 3	CO5
11.	Differentiate between factoring and forfeiting with suitable examples.	Applying	Level 3	CO5
12.	Discuss the types and functions of factoring services.	Applying	Level 3	CO5
13.	Explain the benefits and limitations of factoring to clients and financial institutions.	Analysing	Level 4	CO5
14.	Explain how forfeiting is used in international trade finance. Describe the procedure and roles of the parties involved with an example.	Analysing	Level 4	CO5
15.	Compare and contrast factoring and traditional bill discounting.	Analysing	Level 4	CO5
16.	Explain the concept of venture capital and its importance in entrepreneurship development.	Analysing	Level 4	CO5
17.	Discuss the various types of venture capital financing.	Applying	Level 3	CO5