

M.B.A. DEGREE EXAMINATIONS: DECEMBER 2008

Fifth Trimester

P07BA512 FINANCIAL SERVICES**Time: Three Hours****Maximum Marks: 100****Answer ALL Questions:-****PART A (1 x 20 = 20 Marks)**

1. Nike was the leader in U.S. and had made giant strides in Europe even surpassing Adidas in the soccer shoe segment for the first time. According to 2004 figures by the Sporting Goods Manufacturers Association International, Nike had about 36%, Adidas 8.9% and Reebok 12.2% market share in the athletic-footwear market in the U.S. Adidas was the No. 2 sporting goods manufacturer globally, but it struggled in the U.S. – the world's biggest athletic-shoe market with half the \$33 billion spent globally each year on athletic shoes. Adidas was perceived to have good quality products that offered comfort whereas Reebok was seen as a stylish or hip brand. Nike had both and was a favorite brand because of its fashion status, colors, and combinations. Adidas focused on sport and Reebok on lifestyle. Clearly the chances of competing against Nike were far better together than separately. Besides Adidas was facing stiff competition from Puma, the No. 4 sporting-goods brand. Puma had then recently disclosed expansion plans through acquisitions and entry into new sportswear categories. For a successful merger, the challenge was to integrate Adidas's German culture of control, engineering, and production and Reebok's U.S. marketing-driven culture.

In 2006, Adidas (the German athletic apparel and the world's second-biggest sports goods maker after Nike) acquired Reebok in a US\$3.1 billion deal. The merger was aimed at helping Adidas increase its share in the U.S. market and better compete with market leader Nike Inc. and fourth ranked Puma AG. At the time experts felt that the merger made sense. But the key challenge was to unite Adidas's German culture of control, engineering, and production and Reebok's U.S. marketing-driven culture. The Reebok acquisition was seen as a key factor in growing the Adidas brand in developing and fashion-oriented markets of Asia like China, Korea, and Malaysia. Moreover, Reebok already had marketing tie-ups in China (with Yao Ming) and Adidas did not have to cover all China segments. Adidas AG reported its fourth quarter results for 2007 (October-December, 2007). The results were helped by lower purchasing costs resulting from its acquisition of Reebok and improved sales.

Its net income rose to €21 million (US\$31.9 million) from €13 million a year earlier. Sales increased to €2.4 billion (US\$3.7 billion) compared with nearly €2.3 billion in 2006. In 2007, total yearly earnings were €551 million (US\$837.9 million), up 14 percent from €483 million in 2006. Sales for the year rose marginally to €10.3 billion (US\$15.6 billion) from €10 billion in 2006. The Adidas brand had sales worth €7.1 billion (US\$10.8 billion) while Reebok had sales worth €2.3 billion (US\$3.5 billion). Last year, in 2006 the Adidas brand had sales worth €6.6 billion to Reebok's €2.5 billion. Year-end order backlog represents firm future revenues from contracts signed up to that date. Order backlog is a key indicator of future sales for retailers and Reebok's lower order backlog remains the key question mark. Order backlog of brand Adidas was excellent up 17

percent which can be partly attributed to the Euro 2008 soccer championship and Beijing Olympics this year. However, Reebok's order backlog was down 8 percent (down 20

percent in North America). Nike reported worldwide futures orders for athletic footwear and apparel (scheduled for delivery from December 2007 through April 2008) totaling \$6.5 billion, 13 percent higher than such orders reported for the same period last year. Meanwhile, Nike announced (Mar 3, 2008) that it has completed its acquisition of Umbro Plc. Nike's Umbro takeover is an effort to consolidate its position in the football market where Adidas has performed well. Last year, Nike's CEO Mark Parker outlined a brave plan to increase the company's business to \$23 billion in revenue by 2011.

- (a) Will Nike do it or will the Adidas-Reebok merger spoil its plans -10 Marks
- (b) Is the Adidas Reebok merger working optimistically – Discuss -10 Marks

PART – B (10 x 2 = 20 Marks)

2. What is MNBC?
3. Write about ceiling in commercial paper.
4. Brief about Double Dipping in Cross-border Lease.
5. Give details of tax benefit in Hire – purchase system.
6. What is MMMF?
7. What is Bancassurance?
8. Write short notes on Asset Stripping.
9. Brief about old line Factoring.
10. Write short notes on Conditional sale in Consumer credit.
11. Brief about Tele marketing.

PART – C (4 x 15 = 60 Marks)

12. (a) Elucidate the RBI NBFCs prudential norms directions

(OR)

- (b) Give an overview of Indian Financial system.

13. (a) The following data relate to the Experimental Leasing Ltd:

- [1] Investment outlay/cost, Rs.100 lakh
- [2] Pre-tax required rate of return, 20 % per annum
- [3] Primary lease period, 5 Years
- [4] Residual value (after primary period), Nil
- [5] Assumptions regarding alternative rental structures:
 - [A] Equated/Level
 - [B] Stepped (15 % increase per annum)
 - [C] Ballooned (annual rental of Rs. 10 lakh for years, 1-4)
 - [D] Deferred (deferment period of 2 years)

(OR)

(b) Explain the important clauses in a hire-purchase agreement.

14. (a) Write about Credit rating for finance companies with an symbols of various rating agencies.

(OR)

(b) Describe the Relevance of Banc assurance in the Indian financial sector.

15. (a) Explain about features, importance, Transaction and remote management of Cyber Cash.

(OR)

(b) Write short notes on:

- | | |
|--------------------------------------|----------|
| [1] Common E-Banking Services | -5 Marks |
| [2] Security Challenges in E-banking | -5 Marks |
| [3]E-banking Support Services | -5 Marks |
