

AFM/SFM Test-2

Mission 80+ in AFM/SFM for Nov/Dec 2024 attempt

Time Allowed – 75 Min

Maximum Marks - 40

All Questions are Compulsory.

Working Notes should form part of the respective answer.

PART I – Case Scenario based MCQs (12 Marks)

In our CA Final AFM paper / CMA Final SFM Paper conducted by Institute, it is not required to show the working for MCQs. However, for our test series, we highly recommend that students provide detailed workings.

This allows us to better evaluate your preparation and understanding of the concepts.

Case Scenario I:

With relaxation of norms in India for investment in international market, Mr. X, to hedge himself against the risk of declining Indian economy and weakening of Indian Rupee during last few years, decided to diversify in the International Market.

Accordingly, Mr. X invested a sum of Rs. 2.50 crore on 1.1.2023 in Standard & Poor Index. On 1.1.2024 Mr. X sold his investment. The other relevant data is given below:

	1.1.2023	1.1.2024
Index of Stock Market in India	?	7395
Standard & Poor Index	2056	1948
Exchange Rate (₹/\$)	72.00/72.25	77.25/77.50

- (i) The return for a US investor in the Year 2023 will be **1 Mark**
(a) 5.25% (b) -5.25%
(c) -5.54% (d) 5.54%
- (ii) Return to Mr. X (in ₹) **2 Marks**
(a) (-) ₹5,35,993 (b) ₹4,96,176
(c) ₹3,25,993 (d) None
- (iii) Holding Period Return to Mr. X **2 Marks**
(a) 1.30% (b) 2.23%
(c) 1.98% (d) None
- (iv) The value of Index of Stock Market in India as on 1.1.2023 at which Mr. X would be indifferent between investment in Standard & Poor Index and India Stock Market **1 Mark**
(a) 7300 (b) 7491
(c) 7006 (d) None

Case Scenario: II

Mr. A holds the belief that the stock market resembles a form of gambling, leading him to keep a distance from it. Conversely, his close friend, Mr. B, perceives the stock market as a lucrative opportunity for financial gain. Mr. B anticipates a potential up movement in the market in the upcoming days and desires to capitalize on this expectation.

In light of his outlook, he collected the following data of Reliance industries limited equity share.

Current market price: ₹3,000.

Settlement date: T+1 days.

On Trade date 20% margin is payable.

Balance 80% is payable on Delivery date.

Suppose Mr B took position in 100 Shares at ₹3000 on 1st August 2024 at 10:00 AM. On same day at 1:00 PM share price increase by 4% and hence he exited from the position.

On the basis of above information, choose the most appropriate answer to the following questions:

- (i) What trading position is he likely to adopt? **1 Mark**
- (a) Long position (b) Short Position
(c) Sideway position (d) None of the Above
- (ii) How much investment is Required for this trade? **1 Mark**
- (a) ₹3,00,000 (b) ₹2,40,000
(c) ₹60,000 (d) None of the above
- (iii) What is the Exit trade of Mr. B? **1 Mark**
- (a) Buy Trade (b) Sell Trade
(c) Cover Trade (d) None of the Above
- (iv) What is the Exit Price of Share? **1 Mark**
- (a) ₹3,000 (b) ₹3,120
(c) ₹ 2,880 (d) None of the Above
- (iv) What is the Return on his investment? **2 Marks**
- (a) 4% (b) 8%
(c) 12% (d) 20%

PART II – Descriptive Questions (28 Marks)

1. Mr x invested ₹5000 in a bank account that offers a floating interest rate. The interest rate increases by 2% (200 basis point) each year. At the end of first year, he receives ₹3000 and at the end of second year, he receives another 3000. Calculate the compound interest rate for first year. **6**

2. You as a dealer in foreign exchange have the following position in Swiss Francs on 31st July, 2024: 7

	Swiss Francs
Balance in the Nostro A/c Credit	1,00,000
Opening Position Overbought	50,000
Purchased a bill on Zurich	70,000
Sold forward TT	49,000
Forward purchase contract cancelled	41,000
Remitted by TT	75,000
Draft on Zurich cancelled	40,000

Examine what steps would the dealer take, if he is required to maintain a credit balance of Swiss Francs 30,000 in the Nostro A/c and keep as overbought position on Swiss Francs 10,000?

3. On 1st October 2021 Mr. P an exporter enters into a forward contract with a XYZ Bank to sell US\$ 5,00,000 on 31 December 2021 at ₹75.40/\$. However, due to the request of the importer, Mr. P received amount on 28th November 2021. Mr. P requested the bank to take the delivery of the remittance on 30th November 2021 i.e. before due date. The inter-banking rates on 28th November 2021 were as follows: 8

Spot	₹75.22/75.27
One Month Premium	10/15

If bank agrees to take early delivery, then what will be net inflow to Mr. P assuming that the prevailing prime lending rate is 18%.

- Note:** 1. Consider 365 days a year
2. Round off final calculation in Rupees i.e. not in paisa

4. A Mutual Fund Co. has the following assets under it on the close of business as on: 7

Company	No. of Shares	1 st August 2024	2 nd August 2024
		Market price per share (₹)	Market price per share (₹)
Q Ltd.	2,000	₹200.00	₹205.00
R Ltd.	30,000	₹312.40	₹360.00
S Ltd.	40,000	₹180.60	₹191.55
T Ltd.	60,000	₹505.10	₹503.90

Total No. of Units issued by the Mutual Fund is 6,00,000.

- (1) Calculate Net Assets Value (NAV) per Unit as on 1st August 2024.
- (2) Following information is also given:
Assuming that Mr. Tarun, submits a cheque of ₹30,00,000 to the Mutual Fund and the Fund Manager of this entity purchases 8,000 shares of R Ltd and the balance amount is held in Bank. In such a situation, what would be the position of the Fund?
- (3) Find new NAV per Unit as on 2nd August, 2024.