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CH 1 Financial Policy and Corporate Strategy

ICAI QUESTIONS

- 1) The strategic financial management is
- 1) Backward looking
 - 2) Report - focused discipline
 - 3) Forward-looking subject of financial management
 - 4) All of the above

Answer - 4

Description: Strategic financial management combines the backward-looking, report-focused discipline of (financial) accounting with the more dynamic, forward-looking subject of financial management.

- 2) is the springboard for wealth creation.
- 1) Investment in highly risky securities.
 - 2) Capital investment
 - 3) Foreign exchange risk management
 - 4) None of the above

Answer - 2

Description: Remaining two activities are later activities

- 3) The primary objective of investors in a world of economic uncertainty is
- 1) To select investment and financial opportunities that will give them maximum expected returns at minimum risks.
 - 2) To select investment and financial opportunities that will give them maximum expected returns at maximum risks.
 - 3) To select investment and financial opportunities that will give them maximum expected returns at maximum risks.
 - 4) None of the above

Answer - 1

Description: Basis of wise investment decisions.

SK QUESTIONS

4) 3 basic questions that can be answered by corporate level strategy

- 1) Suitability
- 2) Usability
- 3) Feasibility
- 4) Acceptability

- 1) All 4
- 2) Only 1,2,3
- 3) Only 1,2
- 4) Only 1,3,4

Answer - 4

5) - Risk in business due to technological changes

- New competitor entering the market are which type of risk?

- 1) Compliance Risk
- 2) Operational Risk
- 3) Strategic Risk
- 4) Political Risk

Answer - 3

6) Which type of risk occurs when a counter party fails to honour their obligations?

- 1) Interest rate risk
- 2) Currency risk
- 3) Political risk
- 4) Credit risk

Answer - 4

7) Which type of risk is primarily faced by a company when it ventures into a new industry or geographical area with completely different laws and regulations?

- 1) Currency risk
- 2) Operational risk
- 3) Compliance risk
- 4) Financial risk

Answer - 3

8) Which of the following is not the financial risk.

- 1) Compliance Risk
- 2) Political Risk
- 3) Counter Party Risk
- 4) Liquidity Risk

Answer - 1

9) What level of strategy is concerned with practical coordination of operating units and competitive advantage for products and services?

1. Corporate Level Strategy
2. Business Unit Level Strategy
3. Functional Level Strategy
4. Operational Level Strategy

Answer - 2

10) If Company XYZ's profit margin increases, how will it affect its sustainable growth rate?

1. Sustainable growth rate will increase.
2. Sustainable growth rate will decrease.
3. Sustainable growth rate will remain unchanged.
4. It is not possible to determine the effect from the information provided

Answer - 1

11) Strategic Risk is a type of risk that arises due to:

1. Failure to comply with regulations
2. Changes in interest rates
3. Shifts in customer demand and technological changes
4. Currency fluctuations

Answer - 3

CH 2 Risk Management

ICAI QUESTIONS

1)is associated with diffusion of economic crisis throughout a market, asset class or geographic region.

- 1) Systematic Risk
- 2) Unsystematic Risk
- 3) Contagion Risk
- 4) Credit Risk

Answer - 3

2) Which of the following techniques can be used to manage counter party risk?

- 1) Local sourcing of raw materials and labour
- 2) Evaluating country's macro-economic conditions
- 3) Rapid action in the event of any likelihood of defaults.
- 4) Entering into joint ventures.

Answer - 3

3) Which type of risk is primarily faced by a company when it ventures into a new industry or geographical area with completely different laws and regulations?

- 1) Operational Risk
- 2) Compliance Risk
- 3) Currency Risk
- 4) Financial Risk

Answer - 2

Description: Lesser knowledge of the Rules and Regulations of different country.

4) Which type of risk occurs when a counter party fails to honour their obligations?

- 1) Interest Rate Risk

- 2) Currency Risk
- 3) Credit Risk
- 4) Political Risk

Answer - 3

Description: Other risks are related to external factors.

- 5) One year VaR [Value at risk] of a portfolio is Rs. 10 Crores with a confidence level of 95%. This means.....
- 1) There is a 5% probability that the loss will be Rs. 10 crores at the end of the year
 - 2) The loss will not exceed Rs. 9.5 crores during valuation anytime during the year
 - 3) The worst expected portfolio loss over one year will not exceed Rs. 10 Crore with 95% confidence
 - 4) The investor can presume that there is a 95% chance of loss over trading year will exceed Rs. 10 Crore

Answer - 3

Description: Basis of VAR

- 6)is associated with diffusion of economic crists throughout a market, asset class or geographic region.
- 1) Systematic Risk
 - 2) Unsystematic Risk
 - 3) Contagion Risk
 - 4) Credit Risk

Answer - 3

SK QUESTIONS

- 7) VAR calculates the maximum possible loss at a given confidence level over a specific time horizon.

What are the main components used in VAR calculation?

- 1. Risk Control, Risk Limit, and Risk Probability
- 2. Time Period, Risk Probability, and Loss in percentage or amount
- 3. Time Horizon, Risk Control, and Risk Limit
- 4. Risk Limit, Time Horizon, and Loss in percentage or amount

Answer - 2

Chapter 3 Advanced Capital Budgeting Decisions

ICAI QUESTIONS

- 1) Expected cash flows are calculated as:
- 1) Sum of likely cash flow of the project.
 - 2) Sum of likely cash flow of project multiplied by probability of respective cash flows.
 - 3) Sum of likely cash flow of project divided by probability of cash flow .
 - 4) None of these

Answer - 2

- 2) Variance measures
- 1) How far each number in the set is from the mean.
 - 2) The mean of a given data set.
 - 3) Return on Investment
 - 4) Level or risk borne for every percent of expected return.

Answer - 1

- 3) Which of the following critical factor is generally overlooked by capital budgeting decision makers.
- 1) Quantitative factors
 - 2) Qualitative factors
 - 3) Time factor
 - 4) Discounting factor

Answer - 2

- 4) Scenario analysis is considered under scenarios such as:
- 1) Worst Case Scenario
 - 2) Base Case Scenario
 - 3) Best Case Scenario

4) All of the above

Answer - 4

Description: Consider all factors in one go.

5) Certainty Equivalent approach is:

1) Guaranteed return from an investment after adjusting for certainty equivalent coefficient.

2) Return that is expected over the lifetime of a project

3) Equivalent to Net Present Value.

4) An important component in Decision Tree Analysis.

Answer - 1

Description: Consider pessimistic approach

6) When the risk is high, the cash flow under certainty equivalent coefficient is:

1) Higher

2) Lower

3) No impact

4) None of the above

Answer - 2

Description: There is inverse relationship

7) The firm expects an NPV of Rs. 10,000 if the economy is exceptionally strong (30% probability), an NPV of Rs. 4,000 if the economy is normal (40% probability), and an NPV of Rs. 2,000 if the economy is exceptionally weak (30% probability). Expected Net present value is

1) Rs. 5,200

2) Rs. 6,000

3) Rs. 5,000

4) Rs. 6,200

Answer - 1

Description: $10000 \times 0.30 + 40000 \times 0.40 + 2000 \times 0.30 = 5200$

8) Sensitivity analysis is useful in decision making because:

1) It shows the probabilities associated with each outcome.

2) It tells the user how much critical each input is for the output value.

3) It allows to calculate the probable results under different scenarios.

4) The results of Sensitivity Analysis are reliable.

Answer - 2

Description: Give more importance to critical factor.

SK QUESTIONS

9) What is the impact of inflation on depreciation charges in capital budgeting?

1. Inflation increases the tax benefits from depreciation charges
2. Inflation decreases the tax benefits from depreciation charges
3. Inflation has no effect on the tax benefits from depreciation charges
4. Inflation increases the historical costs used for depreciation calculations

Answer - 2

Chapter 4 Security Analysis

ICAI QUESTIONS

- 1) Which of the following factor affects industry analysis?
- 1) Product Lifecycle
 - 2) Government Attitude
 - 3) State of competition in the industry
 - 4) All of these

Answer - 4

- 2) An efficient capital market is one in which
- 1) Taxes are irrelevant
 - 2) Security prices reflect available information
 - 3) Securities always offer a positive rate of return to investors
 - 4) Security prices are guaranteed (by the SEBI) to be fair.

Answer - 2

- 3) As per the Dow Jones Theory the Secondary movement of stock prices last from
- 1) One year to three years.
 - 2) Three weeks to three months.
 - 3) Day to day.
 - 4) None of these

Answer - 2

- 4) Which factor significantly influences the demand in consumer products industries?

- 1) Interest rate
- 2) Discount rate
- 3) Inflation rate
- 4) None of the above

Answer - 3

- 5) Which of the following technique is not used for economic analysis?

- 1) Barometer / Indicator Approach
- 2) Economic Model Building Approach
- 3) Mixed Forecasting
- 4) Economic Model Building Approach

Answer - 3

6) Which of the following is a drawback of the Anticipatory Surveys technique used in economic analysis?

- 1) Survey results guarantee that intentions surveyed would materialize.
- 2) They are regarded as forecasts per se, as there can be a consensus approach by the investor for exercising his opinion.
- 3) Both of (a) and (b)
- 4) None of the above

Answer - 4

RTP MAY 24

7) You are a financial analyst at a prominent investment firm and have been tasked with empirically verifying the weak form of Efficient Market Hypothesis (EMH) Theory for the XYZ Stock Index, a collection of diverse stocks. You decided to conduct three different tests to assess whether the stock market follows the principles of the weak form of EMH.

Test 1

For the past five years, you collected daily price changes of the stocks in the XYZ Stock Index. You calculated correlation coefficients for different lag periods and analyzed whether past price changes exhibit any significant correlation with future price changes. You considered price changes to be serially independent. The results indicated that most auto correlation coefficients are close to zero and statistically insignificant, suggesting those past price changes do not predict future price changes.

Test 2

You further investigated the randomness of price changes in the XYZ Stock Index. Analyzing the sequence of daily price changes, you count the number of runs where price changes are consistently positive or negative. Upon comparing the observed number of runs with the expected number based on randomness, you find that they align closely, supporting the idea that price changes follow a random pattern.

Test 3

To examine the efficacy of trading strategies based on historical price

trends, you implemented a simple trading rule for the XYZ Stock Index. The rule involves buying when the price crosses a moving average of 5% threshold and selling when it crosses another 7% threshold. Over a period of testing, you computed the returns generated by the trading strategy. The results revealed that the returns are not consistently better than random chance, implying that past price trends do not reliably predict future price movements.

Conclusion:

After conducting the three tests the evidence supports the weak form of Efficient Market Theory for the XYZ Stock Index you concluded that past price trends do not reliably predict future price movements.

Based on the above information answer the following questions:

- I. Test 1 is
 - (a) Serial Correlation test
 - (b) Filter Rules test
 - (c) Run test
 - (d) Variance Ratio test
- II. Test 2 is
 - (a) Serial Correlation test
 - (b) Filter Rules test
 - (c) Run test
 - (d) Variance Ratio test
- III. Test 3 is
 - (a) Serial Correlation test
 - (b) Filter Rules test
 - (c) Run test
 - (d) Variance Ratio test.
- IV. The Filter Rule Test should not be applied for buy and hold strategy if.....
 - (a) the behavior of stock price changes is predictable.
 - (b) the behavior of stock price changes is dependent on past trends.
 - (c) the behavior of stock price changes is correlated.
 - (d) the behavior of stock price changes is random.
- V. Results of your studies support the.....
 - (a) Semi-strong EMH Theory
 - (b) Strong EMH Theory
 - (c) Random Walk Theory
 - (d) Markowitz Theory

ANSWER

I	(a)
---	-----

II	(c)
III	(b)
IV	(d)
V	(c)

SK QUESTIONS

- 8) a) Information Inadequacy
 b) Monopolistic Influence
 c) Irrational behavior
 d) Limited Information Processing Capabilities

Challenges to the Efficient Market Theory

Ans: 1) a,b,c

- 2) Only d
 3) Both a & d
 4) a,b,c,d

Answer - 4

- 9) A movement of the market price from one change in the direction to the next change in the same direction is:

Ans: 1) The Dow Theory
 2) Random Walk Theory
 3) Elliot Wave Theory
 4) None of the above

Answer - 3

- 10) Impulsive Patterns & Corrective Patterns these are the classification of

Ans: 1) Random Walk Theory
 2) The Dow Theory
 3) Efficient Market Theory
 4) Elliot Wave Theory

Answer - 4

- 11) _____ assigns decreasing weights, with the highest weight being assigned to the latest price

Ans: 1) AMA (Arithmetic Moving Average)
 2) EMA (Exponential Moving Average)
 3) Run Test Method
 4) The Dow Theory

Answer - 2

12) Challenges to Efficient Market Theory

Ans: 1) Information inadequacy , Irrational Behaviour

2) Information inadequacy, Limited Information Processing Capabilities

3) Irrational Behaviour, Information inadequacy, Limited Information Processing Capabilities

4) None of the above

Answer - 3

Chapter 5 Security Valuation

ICAI QUESTIONS

- 1) A debenture of Rs. 10000 carrying 15% coupon rate is quoted in the market at Rs. 13500. The current yield on this debenture will be:
- 1) 13.50%
 - 2) 15%
 - 3) 11.11%
 - 4) 10%

Answer - 3

Description: Interest = Rs. 1500 Yield = Rs. 1500/13500 = 11.11%

- 2) Which of the following is not a money market instrument?
- 1) Commercial paper
 - 2) Participatory certificates
 - 3) Warrant
 - 4) Treasury Bills

Answer - 3

- 3) The annual interest of a bond divided by its face value is called the bond's
- 1) Coupon Rate
 - 2) Face value
 - 3) Maturity
 - 4) Yield to maturity

Answer - 1

4) A Ltd. Issued commercial paper worth 10 crores as per the following details:

Date of issue: 15th June, 2022

Maturity period: 73 days

No. of days in a year: 365 days

Interest rate: 15% p.a.

Intermediary charges: 0.1% of Net Receipts

The net amount received by the company on such issue of CP shall be approximately.....

- 1) 9,69,90,291
- 2) 9,70,87,379
- 3) 9,69,77,379
- 4) 9,69,00,000

Answer - 1

5) The following information is related to two bonds same in other respects:

Price of Bond A = Rs. 101

Price of Bond B = Rs. 120

Coupon Rate of Bond A = 14%

Coupon Rate of Bond B 15%

If both the bonds are redeemable at a Premium of 10% after 2 years and the required yield on this category of Bonds is 16% then best avenue for investment shall be

- 1) Bond A
- 2) Bond B
- 3) Any of the two Bonds
- 4) Neither of the two Bonds

Answer - 1

6) The value a zero coupon with a maturity of three years and a maturity value of Rs. 1,000 discounted at 7% is

- 1) Rs. 816.30
- 2) Rs. 901.94
- 3) Rs. 966.18
- 4) Rs. 1000

Answer - 1

Description: $\text{Rs. } 1000 / (1.07)^3 = \text{Rs. } 816.30$

Case Scenario

7) The data given below relates to a convertible bond of X Ltd.:

Face value

Rs. 450

Coupon rate

15%

No. of shares per bond

25

Market price of share

Rs. 20

Straight value of bond

Rs. 400

Market price of convertible bond

Rs. 550

Based on the above information answer the following questions:

1) The conversion premium is.....

- 1) 10%
- 2) 27.27%
- 3) 18.18%
- 4) 11.11%

2) The stock value of bond would be

- 1) Rs. 500
- 2) Rs. 400
- 3) Rs. 550
- 4) Rs. 450

3) The percentage of downside risk based on market price of convertible bond is.....

- 1) 10%
- 2) 27.27%
- 3) 18.18%
- 4) 11.11%

4) The conversion parity price of the stock is

- 1) Rs. 25

- 2) Rs. 20
- 3) Rs. 22
- 4) Rs. 24

Answer

- 1) 1
- 2) 1
- 3) 2
- 4) 3

SK QUESTIONS

8) Value of Bond (V_0) = $\frac{\text{Interest}}{\text{yeild}}$ is

- Ans: 1) Equal Interest Bond
 2) Value of Zero Coupon Bond
 3) Irredeemable Bond
 4) Bond with Changing Yield Rates

Answer - 3

9) It's a short term Money Market instruments. They are for maturities for less than a year. They are usually designated in US dollars

- Ans: 1) Floating Rate Notes
 2) Foreign Bonds
 3) Euro Bonds
 4) Euro Commercial Papers

Answer - 4

10) _____ invests majorly in short term instruments like Commercial Papers, Certificate of Deposits, Treasury Bills, G-Secs, etc

- Ans: 1) Index Funds
 2) Offshore Funds
 3) Money Market Funds
 4) Capital Protection Oriented Funds

Answer - 3

11) YTM < COUPON Issue is at ___/ Premium & Redemption is at ___

- Ans: 1) Discount, Par
 2) Par, Discount
 3) Both at Par

4) Premium, Par

The purpose of ___ is to reduce excess liquidity in the economy

Ans: 1) Repo

2) Reverse Repo

3) Zero Coupon Bond

4) None of the above

Answer - 2

12) A bank rediscounted a commercial bill with face value of Rs. 100 @ 15% for 2 months will fetch Rs. 97.5(SV). Calculate Effective Discount Rate?

Ans: 1) 2.500

2) 16.863

3) 15.385

4) 1.667

Answer - 3

Chapter 6 Portfolio Management

ICAI QUESTIONS

1) Arbitrage Pricing Theory was developed by

- 1) William Sharpe
- 2) Harry Markowitz
- 3) Stephan Ross
- 4) Black Scholes

Answer - 3

2) According to the CAPM, the intercept of Security Market Line (SML) should be equal to

- 1) Zero
- 2) The expected risk premium on the market portfolio
- 3) The risk-free rate
- 4) The expected return on the market portfolio

Answer - 1

3) Risk Premium is:

- 1) Extra rate of return expected by the Investors as a reward for bearing extra risk.
- 2) Equivalent to the rate of Government Securities.
- 3) Return provided to equity shareholders.
- 4) Risk free rate of return

Answer - 1

Description: There is Risk-Return Trade off relationship.

4) what is the common hypothesis for Traditional and Modern Theories of Portfolio Management

- 1) Both approaches use statistical methods.
- 2) both approaches are based on judgement.
- 3) both approaches are based on hypothesis that a portfolio reduces risk by diversification.

4) None of these

Answer - 3

5) Calculation of Coefficient of Variance depends on:

- 1) Standard Deviation
- 2) Expected Return
- 3) Expected cash flow
- 4) All of the above

Answer - 4

Description: $CV = SD/Expected\ Return$

Case Scenario

6) Mr. A is interested in investing Rs. 1,00,000 for which he is considering following three alternatives:

- (i) Invest Rs. 1,00,000 in Mutual Fund X (MFX)
- (ii) Invest Rs. 1,00,000 in Mutual Fund Y (MFY)
- (iii) Portfolio Invest Rs. 60,000 in Mutual Fund X (MFX) and Rs. 40,000 in Mutual Fund Y (MFY)

Average annual return earned by MFX and MFY is 12% and 11% respectively. Risk free rate of return is 8% and market rate of return is 10%.

Covariance of returns of MFX, MFY and market portfolio Mix are as follow:

	MFX	MFY
Portfolio MFX	4.400	4.300
3.370 MFY	4.300	4.200
2.800 Portfolio	3.370	2.800
4.200		

Based on the above information answer the following questions:

- 1) Based on Standard Deviation, the optimum Q-1 investment for Mr. A would be.....
 - 1) Portfolio
 - 2) All investment in MFX
 - 3) All investment in MFY

- 4) Both MFY and mix are indifferent
- 2) Standard Deviaton of MFX is.....
- 1) 2.0736
 - 2) 2.0976
 - 3) 1.8358
 - 4) 2.0494
- 3) Portfolio return would be.....
- 1) 11.00%
 - 2) 12.00%
 - 3) 11.50%
 - 4) 11.60%

Answer

- 1) 2
- 2) 2
- 3) 4

SK QUESTIONS

- 7) Which phases in Portfolio Management is chronologically arranged
- Ans: 1) Security Analysis, Portfolio Analysis, Portfolio Revision, Portfolio Selection, Portfolio Evaluation
- 2) Portfolio Analysis, Security Analysis, Portfolio Selection, Portfolio Revision, Portfolio Evaluation
- 3) Security Analysis, Portfolio Analysis, Portfolio Selection, Portfolio Revision, Portfolio Evaluation
- 4) Security Analysis, Portfolio Analysis, Portfolio Selection, Portfolio Evaluation

Answer - 3

- 8) $\frac{R_P - R_F}{B_P}$ is

- Ans: 1) Sharpe's Index
- 2) Treynor Index
 - 3) Jensen Index
 - 4) None of the above

Answer - 2

9) $\frac{\text{Standard Deviation}}{\text{Expected Return ER}} \times 100$ is

- Ans : 1) CAPM Based Return
2) Market Rate of Return
3) Co - efficient of Variation
4) Portfolio Return

Answer - 3

10) Interest Rate, Inflation, Taxation, political Development, Credit Policy are examples of:

- Ans: 1) Non Diversifiable Risk
2) Specific Risk
3) Business Risk
4) Financial Risk

Answer - 1

11) When Value of Correlation is 0 to 1, Nature of Correlation is Positive, Movement of Return is:

- Ans: 1) Same direction
2) Opposite direction
3) Opposite direction but not in same proportion
4) Same direction but not in same proportion

Answer - 4

12) Which offer measures excess return which is useful in assessing whether a Mutual Fund is undervalued or overvalued

- Ans: 1) Treynor Model
2) Jenson Model
3) Sharpe Model
4) Single Index Model

Answer - 2

13) Risk Exposure for changing portfolio values is adjusted more value means more ability to take risk is which asset allocation strategy

- Ans: 1) Insured
2) Tactical
3) Strategic
4) Integrated

Answer - 1

Chapter 7 Securitization

ICAI QUESTIONS

1) Is the process of repackaging or rebundling of liquid assets into marketable securities.

- 1) Diversification
- 2) Securitization
- 3) Structured finance
- 4) Tokenization

Answer - 2

Description: The term diversification is used in context of portfolio Management. Securitization is one of the form of structured Finance. Tokenization can be one form of issuing units after Securitization.

2) The main objective of creating a Special Purpose Vehicle (SPV) in the securitization process is

- 1) To acquire legal and beneficial interest in the assets.
- 2) To issue securities to the investors.
- 3) To remove the asset from the balance sheet of the originator
- 4) To write off the asset as bad debt from the balance sheet of the originator.

Answer - 3

Description: While the first two options follow the third option the fourth option is wrong option.

RTP MAY 24

3) Grow More Ltd. an NBFC is in the need of funds and hence it sold its receivables to MAC Financial Corporation (MFC) for ` 100 million. MFC created a trust for this purpose called General Investment Trust (GIT) through which it issued securities carrying a different level of risk and return to the investors. Further, this structure also permits the GIT to reinvest surplus funds for short term as per their requirement.

MFC also appointed a third party, Safeguard Pvt. Ltd. (SPL) to collect the payment due from obligor(s) and passes it to GIT. It will also follow up with defaulting obligor and if required initiate appropriate legal action against them.

Based on above scenario, answer the following questions:

I. The securitized instrument issued for ` 100 million by the GIT falls under category of

- (a) Pass Through certificate (PTCs)
- (b) Pay Through Security (PTS)
- (c) Stripped Security
- (d) Debt Fund.

II. In the above scenario, the Originator is.....

- (a) Grow More Ltd.
- (b) MAC Financial Corporation (MFC)
- (c) General Investment Trust (GIT)
- (d) Safeguard Pvt. Ltd.

III. In the above scenario, the General Investment Trust (GIT) is a/an.....

- (a) Obligor
- (b) Originator
- (c) Special Purpose Vehicle (SPV)
- (d) Receiving and Paying Agent (RPA)

IV. In the above scenario, the Safeguard Pvt. Ltd. (SPL) is a/an.....

- (a) Obligor
- (b) Originator
- (c) Special Purpose Vehicle (SPV)
- (d) Receiving and Paying Agent (RPA)

V. Which of the following statement holds true?

- (a) When Yield to Maturity in market rises, prices of Principle Only (PO)

Securities tend to rise.

(b) When Yield to Maturity in market rises, prices of Principle Only (PO) Securities tend to fall.

(c) When Yield to Maturity in market falls, prices of Principle Only (PO) Securities tend to fall.

(d) When Yield to Maturity in market falls, prices of Principle Only (PO) Securities remain the same.

ANSWER

I	(b)
II	(b)
III	(c)
IV	(d)
V	(b)

SK QUESTIONS

- 4) Steps in Securitization
- a) Creation of Pool of Assets
 - b) Transfer to SPV
 - c) Sale of Securitized Papers
 - d) Administration of assets
 - e) Recourse to Originator
 - f) Repayment of funds
 - g) Credit Rating to Instruments
- 1) a,b,d,e,f,g
 - 2) a,b,c,e
 - 3) b,c,d,f
 - 4) All of the above

Answer - 4

5) Which of the following is not the primary participants in securitization

- 1) Rating Agency
- 2) Originator
- 3) SPV
- 4) Investors

Answer - 1

6) Problems in Securitization

- 1) Stamp Duty
- 2) Taxation

- 3) Inadequate Debt Market
- 4) Accounting
- 5) Lack of Standardization
- 1) 1,2,3
- 2) 1,4,5
- 3) All of the above
- 4) None of the above

Answer - 3

- 7) Features of Securitization
- 1) Creation of Financial Investment
- 2) Bundling & Unbundling
- 3) Risk Management Tool
- 4) Structured Finance
- 5) Trenching
- 6) Homogeneity
- 1) 1,2,4,5
- 2) 1,2,5,6
- 3) 3,4,5
- 4) All of the above

Answer - 4

- 8) _____ is created by dividing the cashflows in 2 new securities
- 1) Interest only Security
- 2) Principal only Security
- 1) Stripped Securities
- 2) pay through Securities
- 3) None of the above
- 4) Pay through certificates

Answer - 1

- 9) _____ is the process of repackaging or rebundling of illiquid assets into marketable securities
- 1) Diversification
- 2) Securitization
- 3) Structured Finance
- 4) Tokenization

Answer - 2

10) Who is responsible for collecting cash flows from the underlying assets and initiate legal action in case of default?

1. Investor
2. Servicer
3. Trustee
4. SPV

Answer - 2

11) _____ represent the portion of the securitized assets where the interest payments are separated and sold as a distinct security

1. PTC
2. PTS
3. Interest only strips
4. Principal only strips

Answer - 3

12) Which of the following is not a primary participant in a securitization transaction?

1. Originator
2. SPV
3. Obligor
4. Investors

Answer - 3

Chapter 8 Mutual Fund
ICAI QUESTIONS

1) The lower the of the Index Fund, higher the accuracy the more predictable return is.

- 1) Alpha
- 2) Beta
- 3) Tracking error
- 4) Exist Load

Answer - 3

2) The major difference between open-ended and close-ended mutual fund scheme is that

- 1) In open ended schemes, investors can only make entry and exit during pre-specified intervals.
- 2) Close-ended schemes allow investors to redeem their investments at any time.
- 3) Open-ended schemes have a limited life, while close-ended schemes have an indefinite redemption period.
- 4) Open -ended schemes have an indefinite redemption period, while close-ended schemes have a limited life.

Answer - 4

Description: Close Ended schemes are for short duration and open Ended Scheme are meant for indefinite period.

3) Which of the following Business Parks has launched India's first Real Estate Investment Trust (ReIT)?

- 1) Galaxy Business
- 2) DLF Cyber City
- 3) Patni Knowledge Parks
- 4) Embassy Office Parks

Answer - 4

SK QUESTIONS

4) Hybrid product that combines features of listed stocks & index fund is

- 1) Equity Diversified Funds
- 2) Thematic Funds
- 3) Exchange Traded Funds (ETFS)
- 4) Arbitrage Funds

Answer - 3

5) S.P = NAV (1+LOAD %) is

- 1) Required Return
- 2) Entry Load
- 3) Return
- 4) Exit Load

Answer - 2

6)- Public Sector MF

- Private Sector MF

- Foreign MF

is which classification of Mutual Fund

- 1) Direct Plan
- 2) Portfolio
- 3) Functional
- 4) Ownership

Answer - 4

7) Measures upward & downward sentiment of Stock Market. Invest in Stock Index (like NIFTY, BANK - NIFTY) is

- 1) Index Funds
- 2) Sector Funds
- 3) International Funds
- 4) Money Market Funds

Answer - 2

8) Fixed Maturity Plans in which an investor can invest during a New Fund Offer is:

- 1) Open Ended Fund
- 2) Closed Ended Fund
- 3) Exchange Traded

4) None of the above

Answer - 2

9) Which of the following is not the type of Equity Oriented Mutual Fund

1) Growth Funds

2) Aggressive Funds

3) Income Funds

4) Gilt Funds

Answer - 4

10) A mutual fund is a pool managed by?

1) Functional Manager

2) Team Leader

3) Professional Fund Manager

4) General manager

Answer - 3

11) The major difference between open-ended and close-ended mutual fund schemes is that _____

1) in Open Ended Schemes, investors can only make entry and exit during pre-specified intervals

2) Close-ended schemes allow investors to redeem their investments at any time

3) Open-ended schemes have a limited life, while close-ended schemes have an indefinite redemption period

4) Open-ended schemes have an indefinite redemption period, while close-ended schemes have a limited life

Answer - 4

12) The lower the..... of the Index Fund, higher the accuracy the more predictable return is

1) Exit Load

2) Alpha

3) Tracking Error

4) Beta

Answer - 3

13) A mutual fund is a pool managed by ?

1) Functional Manager

2) Team Leader

3) Professional Fund Manager

4) General manager

Answer - 3

14) Types of equity diversified funds are:

- 1) Gold fund, quant fund, contra funds, dividend yield fund
- 2) Flexicap Fund, Multicap Fund, Contra Fund, Dividend Yield Fund
- 3) Flexicap Fund, Gold Fund, Quant Funds, Multicap Funds
- 4) None of the Above

Answer - 2

15) Calculate today's NAV of Flexi Fund... Yesterday's NAV Rs. 12.87, Total No. of O/S units 1.25 crores, FV Rs. 10, Exp 1 lakh (Assume Sales & Repurchase Nav Rs. 12.87)

- 1) 12.5235
- 2) 12.9650
- 3) 10.6561
- 4) 10.4543

Answer - 2

Chapter 9 Derivatives Analysis & Valuation

ICAI QUESTIONS

- 1) When an investor buys back the same amount of futures contracts that the sold earlier is called.....
- 1) Closing out the position.
 - 2) Going long of the futures.
 - 3) Opening a new position.
 - 4) None of these.

Answer - 1

- 2) Which of the following is a traditional method for an Indian farmer to sell wheat?
- 1) Forward Contract
 - 2) Future Contract
 - 3) Spot Market
 - 4) Capital Market

Answer - 3

Description: In Indian context first two options are modern method and last option is more related to financial instruments.

- 3) In a future contract the term Basis is
- 1) The difference between the prevailing spot price and the futures price.
 - 2) The difference between the current market price and the strike price.
 - 3) The difference between the long position and the short position.
 - 4) The difference between the initial margin and the maintenance margin.

Answer - 1

- 4) Which of the following position provides protection from a decrease in prices of a share?
- 1) Buying of Future Contracts in the share.
 - 2) Buying call Option in the share.
 - 3) Selling of Future Contracts in the share.
 - 4) Selling Put Option in the share.

Answer - 3

- 5) Which among the following derivative product is not traded in an exchange at all?
- 1) Futures
 - 2) Options
 - 3) Forwards
 - 4) None of these

Answer - 3

- 6) What is the purpose of trading in futures?
- 1) Only for speculation.
 - 2) Only for hedging.
 - 3) Both for speculation and hedging.
 - 4) Only for arbitraging

Answer - 3

Description: Depends on the purpose of the person taking position in Future Market. Moreover, there are low possibility of arbitrage opportunities in Future market.

- 7) Which of the following is true regarding a forward contract?
- 1) It is standardized
 - 2) The contracting parties negotiate only on the price.
 - 3) The contracting parties negotiate only on quantity and quality.
 - 4) Both parties negotiate on quality, quantity, place, and price.

Answer - 4

Description: First three elements are mutually negotiated by the parties among themselves.

- 8) Which amongst the following is not a Greek for Options Pricing
- 1) Delta
 - 2) Gamma
 - 3) Theta
 - 4) Kho

Answer - 4

Description: It is Rho

9) The spot price of an investment is Rs. 3,000 and the risk-free rate for all maturities (with continuous compounding) is 10% p.a.. Suppose the asset provides an income of Rs. 200 at the end of the first year and at the end of the second year, then three-year forward price shall be
($e^{0.10} = 1.1052$, $e^{0.20} = 1.2214$ and $e^{0.30} = 1.3499$)

- 1) Rs. 1,967
- 2) Rs. 3,584
- 3) Rs. 4,515
- 4) Rs. 4,050

Answer - 2

10) A put option on a company's stock has an exercise price of Rs. 200. On the delivery date, the stock is trading at Rs. 240 per share. What should the investor who has paid Rs. 20 for the option do?

- 1) Not exercise the option and lose Rs. 20.
- 2) Not exercise the option and lose Rs. 60.
- 3) Exercise the option and gain Rs. 20.
- 4) Exercise the option and gain Rs. 40

Answer - 1

Description: Rs. 20 is sunk cost. By exercising option Rs. 40 be more cost.

11) The spot price of an investment asset that provides no income is Rs. 3000 and the risk-free rate for all maturities (with yearly compounding) is 10%. The three-year forward price of same investment shall be.....

- 1) Rs. 3,993
- 2) Rs. 4,050
- 3) Rs. 4,020
- 4) Rs. 4,034

Answer - 1

12) As per real option in Capital Budgeting any commitment to disinvest upon the action of another party is called

- 1) Long call
- 2) Long Put
- 3) Short Call

4) Short Put

Answer - 3

13) ABC Masala Co. purchase jeera to make its products. The company is concerned that prices may rise prior to building inventory for festivals sales. Analysts project that price per quintal could vary from Rs. 52,000 to Rs. 70,000. A September futures contract can be obtained with a Rs. 65,000 purchase prices. What is ABC's risk in this situation?

1) Coca prices will rise above Rs. 65,000 and Tingley will purchase its coca at a price of Rs. 65,000.

2) Coca prices will decline below Rs. 65,000 and Tingley will have to purchase coca at Rs. 65,000.

3) Coca prices will hit Rs. 65,000 and the contract was a waste of time.

4) ABC Co. has no risk in this situation.

Answer - 2

Description: Contrary to Option, in Forward and Future, a commitment is involved.

14) Mr. A a speculator shorts 1000 shares of X Ltd. When the share price was Rs. 50 and closes out the position after 3 months when the share price was Rs. 43. The company pays a dividend of Rs. 3 per share during the 3 months. The gain of Mr. a will be.....

1) Rs. 1,000

2) Rs. 4,000

3) Rs. 7,000

4) Rs. 3,000

Answer - 2

15) The maximum possible loss for a covered call writer is

1) Option premium

2) Current price of the underlying asset.

3) Strike price.

4) Initial investment Net of Premium.

Answer - 4

16) A short forward contract on share of A Ltd. That was negotiated some time ago will expire in 3 months and has a delivery price of Rs. 4,000. The current forward price for three-month forward contract is Rs. 4,200 and the 3-month risk-free interest rate (with monthly compounding) is 6%. The value of the same short forward contract will be beat.....

- 1) Rs. 200
- 2) -Rs. 200
- 3) Rs. 197.03
- 4) - Rs. 197.03

Answer - 4

SK QUESTIONS

17) _____ is an instrument whose value is derived from the value of one or more underlying assets which can be commodities, bonds, stock etc.

Ans: 1) Derivatives

2) Commodity Swap

3) Futures

4) Forwards

Answer - 1

Chapter 10 FOREX
ICAI QUESTIONS

- 1) Suppose Hari approaches a forex dealer who loads INR 1.00 margin on the interbank rate for travel related remittances. If in interbank market the USD is quoted at INR 85.46 - 85.50 then Mr. Hari.
- 1) Can buy travel card at INR 84.46.
 - 2) Can buy travel card at INR 84.50.
 - 3) Can buy travel card at INR 86.46.
 - 4) Can buy travel card at INR 86.50.

Answer - 4

Description: Margin is added in selling rate by bank

- 2) US Dollar is quoted today as: Spot \$ 1 = INR 80 and six months forward \$1 = INR 83.
- 1) This means \$ is at discount
 - 2) This means future of rupee is uncertain
 - 3) This means future of rupee is unclear
 - 4) This means \$ is at premium

Answer - 4

Description: As more INR need to be surrendered to acquire same amount of US \$.

- 3) On October 10, 2022, the Spot exchange rate is INR / USD = INR 66.2525 - INR 67.5945 and the two months swap points are 125 and 195. What would be the foreign exchange rate after 2 months?
- 1) INR / USD = INR 66.2620 INR 67.6070
 - 2) INR / USD = INR 66.2400 INR 67.5750
 - 3) INR / USD = INR 66.2330 INR 67.5820
 - 4) INR / USD = INR 66.2650 INR 67.6140

Answer - 4

Description: Swaps points shall be added to the respective rates.

- 4) Theory substantiates that the expected disparity between the exchange rate of two currencies is approximately equal to the difference between their countries nominal interest rates.

- 1) Interest Rate Parity
- 2) Purchasing Power Parity
- 3) International Fisher Effect (IFE)
- 4) None of these

Answer - 3

5) If USD/INR spot is trading at 83.2000 and one year Swap annualized premium is trading at 6.8% then what would be the net outright rate

- 1) 77.4500
- 2) 77.5524
- 3) 88.4500
- 4) 88.8576

Answer - 4

Description: Rs. 83.200 (1.068) = Rs.88.8576

6) US dollar is quoted today as: spot \$ 1 = Rs. 80 and six months forward \$1 = Rs. 84. The annualized forward \$1 = Rs. 84. The annualized forward margin is.....

- 1) 10%
- 2) 5%
- 3) 3%
- 4) 6%

Answer - 1

Description: $[(84-80)/80] \times 12/6 \times 100 = 10\%$

7) Combination of two fixed floating currency swaps to fixed to fixed currency swap is called?

- 1) Vanilla Swap
- 2) Circus Swap
- 3) Extensible Swap
- 4) Roller-Coaster Swaps

Answer - 2

Description: Acronym stands for Combined Interest Rate and Currency Swap.

8) How does a deficit in current account affect the exchange rate of a country?

- 1) Appreciation of home currency
- 2) Depreciation of home currency
- 3) No impact on the exchange rate
- 4) it depends on the size of the deficit

Answer - 2

Description: More foreign exchange is required to settle trade bills.

9) T & L Ltd has submitted its bid along with bid bond guarantee of its bank for greenhouse gas construction project in Australia with expected cash flows spread over next 3 years. Though its pricing is very competitive, it is not sure of securing it due to other factors. But if secured, it has a huge exchange risk in the invoicing currency viz.: AUD. It can opt for the following derivative product to protect itself.

- 1) Forward contract
- 2) Futures contract
- 3) Option contract
- 4) Swaps

Answer - 3

Description: In case if contract is not secured even then will not bound by the contract in AUD.

10) How can expectations affect the exchange rate of a currency?

- 1) Speculators can have a substantial impact on exchange rate through speculations.
- 2) The current spot/forward rates are often used to develop forecasts.
- 3) A combination of forecasting techniques is used to develop forecasts.
- 4) Historical data is used to predict future values.

Answer -1

Description: A lot of speculation activities results in unanticipated demand and supply of foreign currencies.

11) An Indian exporter expecting a remittance of USD 5 Million, planning to hedge his position by option contracts should

- 1) buy call option in USD
- 2) buy Put Option in USD
- 3) buy Call option in INR
- 4) buy Put Option in INR

Answer -2

12) A Trader sold 20 lots of USD/INR in an exchange (1 lot = \$ 1000) via currency futures. He dealt at a future price of INR 78/\$ for 3 months. Currently future price is trading at INR 82/\$. The M2M (Mark to Market) of trader in the exchange shall be

- 1) INR 4000
- 2) INR 8000

3) INR 80000

4) INR 40000

Answer - 3

Description: $(\text{INR } 82 - \text{INR } 78) \times \$1000 \times 20 = \text{INR } 8000$

SK QUESTIONS

13) It is an account where a bank remits funds in foreign currency to another bank for credit of a third bank

1) Nostro

2) Vostro

3) Loro

4) None of the above

Answer - 3

14) Risk where effect of a change in exchange rate between transaction date & settlement date

1) Economic Risk

2) Transaction Risk

3) Political Risk

4) Translation Risk

Answer - 2

15) Forward Rate - Spot Rate is

1) Indirect Quote

2) Spread

3) Actual Selling Rate of Bank

4) Swap Points

Answer - 4

16) "The Bank always wins" is

1) Spread

2) Bid & Ask

3) Two-way Quote

4) American Term & European Term

Answer - 3

17) The foreign exchange dealing of a bank with its customer & the exchange rate at which transaction takes place is _____

1) Interbank Rate

2) Bank Buying Rate

3) Merchant Rate

4) Bank Selling Rate

Answer - 3

Chapter 11 IFM
ICAI QUESTIONS

- 1) Which of the following factors are crucial in multinational capital budgeting?
- 1) Cash flows from domestic projects.
 - 2) Profits remitted to the host country.
 - 3) Effect of foreign exchange risk on the parent firm's cash flow.
 - 4) Changes in rates of inflation in the parent country.

Answer - 3

Description: More or less first two options are based on third option. Changes in rates in inflation in parent country indirectly impacts the capital budgeting decision

- 2) What is the difference between evaluating a project-based cash flows and parent firm's cash flows?
- 1) Evaluation based on parent firm's cash flows requires competition with existing local firms.
 - 2) Evaluation based on parent firm's cash flows involves financial cash flows only.
 - 3) Evaluation based on parent firm's cash flows eliminates problems associated with fluctuating exchange rate changes.
 - 4) Evaluation based on parent firm's cash flows involves operating and financial cash flows.

Answer - 4

Description: In case of evaluation of foreign projects the actual cash remitted plays a big role.

SK QUESTIONS

3) Internally setting receivables & payables between subsidiaries of MNC'S is called

- 1) Netting
- 2) RADR
- 3) IRR
- 4) GDR

Answer - 2

4) At times if Risk free Rate of foreign currency is given & we need to calculate NPV of project using foreign currency approach then we use:

- Ans: 1) NPV
2) IRR
3) MIRR
4) RADR

Answer - 4

5) _____ are issued to raise funding from different countries & markets

- Ans: 1) ADR's
2) GDR's
3) FCCB
4) Commercial Papers

Answer - 2

6) A company is re-evaluating the decision to continue with an existing machine.

The machine was

purchased for Rs.20,00,000 three years ago and is being depreciated based on an economic life of 8

years. The company is following SLM method of depreciation. The machine can be sold today for

Rs.10,00,000. The tax rate on business profits and capital gains is 25% and 20%.

How much is the

opportunity outflow related to old machine today?

1. Rs.10,00,000
2. Rs.9,50,000

3. Rs.10,50,000

4. Rs.10,62,500

Answer - 3

7) When evaluating investment projects in different countries with varying inflation rates, which of the following concepts is most appropriate for comparing the cash flows on an equal footing?

1. Nominal cash flow.

2. Real cash flow.

3. Expected cash flow.

4. Discounted cash flow

Answer - 2

Chapter 12 IRRM
ICAI QUESTIONS

- 1) The primary difference between an interest rate swap contract and a forward contract can be on account of
- 1) Underlying
 - 2) Time of payment
 - 3) Daily making to the market
 - 4) Number of exchanges

Answer - 4

- 2) Suppose A Ltd. Is entering into an interest rate swap with a notional principal of Rs. 10,00,000. At the beginning of the swap the initial amount of money the counterparties must exchange.....
- 1) Rs. 0
 - 2) Rs. 5,000,000
 - 3) The future value of Rs. 10,00,00,000
 - 4) Rs. 10,00,00,000 discounted

Answer - 1

Description: Settlement shall be made as per prevailing interest rates on forthcoming reset dates.

- 3) Which of the following contract involves the national principal for the purpose of exchange of liabilities.
- 1) Currency Swap
 - 2) Plain Vanilla Swap
 - 3) Forward Contract
 - 4) None of these

Answer - 2

SK QUESTIONS

4) Also called generic swap & its involves the exchange of a Fixed Rate loan to a floating Rate loan.

Ans: 1) Plain vanilla swap

2) Basis rate swap

3) Asset swap

4) Amortizing swap

Answer - 1

5) When the acquirer threatens the target to make an open offer, the board of target company agrees to a settlement with the acquirer for change of control.

Ans: 1) Strategic alliance

2) Strategic alliance

3) Bear hug

4) Street swap

Answer - 3

6) _____ is a transaction in which 2 parties exchange equivalent amount of money with each other but in different currencies, it is:

Ans: 1) Theoretical FRA Rates

2) Currency Swaps

3) IRRM

4) Embedded Option Risk

Answer - 2

Chapter 13 Business Valuation

ICAI QUESTIONS

- 1)approach attempts to identify multi-industry companies that are undervalued and would have more value if separated from each other.
- 1) Economic value Added Method
 - 2) Market Value Added method
 - 3) Chop-Shop method
 - 4) None of the above

Answer - 3

Description: Other two methods mainly concerned with cost of capital.

- 2) method involves valuation as per determination of the cost of group of assets and liabilities of equivalent company in the open market.
- 1) Net asset value
 - 2) Net realizable value
 - 3) Replaceable value
 - 4) None of the above

Answer - 3

Description: Net Asset Value method is based on Balance Sheet. Net Realizable value can be defined as realizable value of all assets after deduction of liquidation expenses and paying off liabilities.

- 3) X Ltd. Made a net profit of Rs. 50,00,000 and incurred expenses of Rs. 15,00,000. The number of issued Equity shares is 10,00,000. The company has a debt of Rs. 5,00,000. The market related details are as follows: $R_f = 10\%$ Market Rate of Return = 15% $I^2 = 1.2$ The per share Earning Value of the company shall be.....
- 1) Rs. 31.25

- 2) Rs. 21.88
- 3) Rs. 312.50
- 4) Rs. 218.75

Answer - 3

Description: [(5000000/016)/1000000]

SK QUESTIONS

4) _____ is a method of evaluating Co.'s financial performance. A Company generates 'Value' only; if there is a collection of wealth in terms of Return in excess of its COC invested.

- 1) EVA
- 2) WACC
- 3) MVA
- 4) None of the above

Answer - 1

5) _____ approach attempts to identify multi-industry companies that are undervalued and would have more value if separated from each other

- 1) Eva method
- 2) MVA method
- 3) Chop Shop method
- 4) None of the above

Answer - 3

6) _____ attempts to identify multi industry companies that are undervalued and would have more value if separated from each other

- 1) Market Value Added
- 2) Chop Shop Method
- 3) FCFF
- 4) None of the Above

Answer - 2

Chapter 14 M&A

ICAI QUESTIONS

- 1) Which type of merger happens when two companies that have buyer-seller relationship (or potential buyer-seller relationship) come together?
- 1) Horizontal Merger
 - 2) Vertical Merger
 - 3) Conglomerate Merger
 - 4) Congeneric Merger

Answer - 2

Description: In horizontal merger two companies merged are in the same industry. Conglomerate mergers involve firms engaged in unrelated type of business operations. In congeneric mergers, the acquirer and the target companies are related through basic technologies, production processes or markets.

- 2) The general reason for a divestiture, such as a sell-off or spin-off may be.....
- 1) Synergy
 - 2) Economics of scale
 - 3) Reverse synergy
 - 4) None of these

Answer - 3

- 3) A merger that combines companies deal with the same product but in separate markets is called a.....
- 1) Market extension merger.
 - 2) Pure conglomerate merger.
 - 3) Vertical merger.
 - 4) Reverse merger.

Answer - 1

Case Scenario

4) P Ltd. is studying the possible acquisition of Q Ltd. by way of merger. The following data are available:

	Firm
	After-tax earnings
	No. of equity shares
	Market price per share
Book Value Per share	P Ltd.
	Rs. 10,00,000
	Rs. 75
	Rs. 210
	Q Ltd.
	Rs. 3,00,000
	50,000
	Rs. 60
	Rs. 105

The merger shall be gone through by exchange of equity shares and the exchange ratio is set according to different weights assigned to different basis as mentioned below :-

EPS	50%
Market Price	25%
Book Value	25%

- 1) Post merger the EPS of the P Ltd. Shall be.....
 - 1) 5.39
 - 2) 5.25
 - 3) 5.28
 - 4) 5.47
- 2) Based on swap ratio as per assigned weights the total number of shares issued by P Ltd to Q Ltd. Shall be.....
 - 1) 46250
 - 2) 41250

- 3) 47600
- 4) 37600
- 3) In case Q Ltd. Wants to be sure that its EPS is not diminished by the merger, the relevant exchange ratio to achieve the same objective should be.....
 - 1) 0.83
 - 2) 1.20
 - 3) 1.30
 - 4) 1.10
- 4) The swap ratio based on assigned weights shall be.....
 - 1) 0.825
 - 2) 0.925
 - 3) 0.952
 - 4) 0.752

Answer

- 1) 3
- 2) 1
- 3) 2
- 4) 2

5)
$$\frac{\text{Total Assets} - \text{Total External liabilities}}{\text{Total Number of Equity Shares}}$$

- 1) P/E Ratio
- 2) Earning yield
- 3) Nav Per Share
- 4) MVA

Answer - 3

6) Target company makes a counter bid for the acquirer company is

- 1) Pac-Man
- 2) Crown Jewels
- 3) Greenmail
- 4) Poison Put

Answer - 1

7) EPS after merger X P/E Ratio after Merger

- 1) **MPS after Merger**
- 2) EPS after Merger
- 3) No. of Shares after Merger

4) Purchase Price Premium

Answer - 1

Chapter 15 Startup Finance

SK QUESTIONS

1) When he/she attempts to find and build a company from personal finances or from the operating revenues of the new company is:

- 1) Bootstrapping
- 2) Angel Investor
- 3) Venture Capital Fund
- 4) All of the above

Answer - 1

2) Benefits of Securitization from Angle of Investors

- 1) Off Balancesheet financing, Reduce Borrowing Cost
- 2) Diversification of Risk, Regulatory Requirement
- 3) Diversification of Risk, Regulatory Requirement, Protection Against Default
- 4) Only off Balancesheet financing

Answer - 3

AFM - PHASE WISE

PHASE 01

Mutual Fund
.....
Portfolio Management
.....
Valuation of Security

PHASE 02

Foreign Exchange Exposure & Risk Management
.....
International Financial Management
.....
Derivatives Analysis & Valuation
.....
Interest Rate Risk Management

PHASE 03

Merger & Acquisitions
.....
Business Valuation
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Advanced Capital Budgeting Decisions

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