

The WAY CA test series – SEPT 2025

CA FINAL

P2: ADVANCED FINANCIAL MANAGEMENT

29.07.2025

[SYLLABUS : INTERNATIONAL FINANCIAL MANAGEMENT, SECURITY ANALYSIS
STARTUP FINANCE, SECURITIZATION]

TIME : 2 HRS

Maximum Marks : 70

All Question Papers are uploaded Here 

https://t.me/catestseries_thewaychannel

GENERAL INSTRUCTIONS TO CANDIDATES

1. Write your name and subject name at the top of the first page of your answer sheet
2. The question paper comprises of two parts, Part I and Part II.
3. Part I comprises of MCQs and Part II comprises of descriptive questions.
4. Working notes should form part of answer, if any.
5. Answers should be written only in English.
6. Duration of the examination is 2 hrs only.
7. Students who want to get their paper evaluated follow the instructions given in the channel link above.

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PART – II

70 Marks

Question : 1(a)

6 Marks

The closing value of Sensex for the month of October, 2007 is given below:

Date Closing	Sensex Value
1.10.07	2800
3.10.07	2780
4.10.07	2795
5.10.07	2830
8.10.07	2760
9.10.07	2790
10.10.07	2880
11.10.07	2960
12.10.07	2990
15.10.07	3200
16.10.07	3300
17.10.07	3450
19.10.07	3360
22.10.07	3290
23.10.07	3360
24.10.07	3340
25.10.07	3290
29.10.07	3240
30.10.07	3140
31.10.07	3260

With the help of above data evaluates the weak form of efficient market hypothesis by applying the run test at 5% and 10% level of significance.

Following value can be used :

Value of t at 5% is 2.101 at 18 degrees of freedom

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Value of t at 10% is 1.734 at 18 degrees of freedom

Question : 1(b)

4 Marks

Succession planning is a good way for companies to ensure that businesses are fully prepared to promote and advance all employees— not just those who are at the management or executive levels. Explain the above statement.

Question : 1(c)

4 Marks

How Blockchain can be used Various fields ?

Question : 2(a)

6 Marks

VK Ltd. is an Indian company which is planning to set up a manufacturing plant through its subsidiary in the small country Farland, (where hitherto it was exporting) in view of growing demand for its product and competition from other MNCs. The currency of Farland is the Farroh (Fr.).

An initial investment of Fr. 80 million in plant and machinery would be required. In addition to that the initial investment in working capital of Fr. 6 million would be also required which shall be financed through a loan from a local bank of Farland, at interest rate of 10% p.a.

The working capital shall also be subject to inflation. At the end of 5 years, the subsidiary would be taken over by the Govt. of Farland for a price of Fr. 2 million. The part of the proceeds would be used to pay off the bank loan.

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It is expected that subsidiary shall produce Net Cash Flows from Operations of Fr. 30 million per year at current price level over the five-year period, before allowing for Farland inflation of 8% per year. Depreciation on Plant and Machinery shall be charged at 20% per year on straight line basis. As a result of setting up the subsidiary, VK Ltd. expects to lose after-tax export income from Farland of INR 8,00,000 per year in current price terms, before allowing for India inflation of 3%. Profits in Farland are taxed at a rate of 20% after allowing deduction for interest and depreciation. All after-tax cash profits are remitted to the India at the end of each year. Indian tax @ 30% is charged on profit earned, but due to tax treaty between Farland and the India the tax paid in Farland is allowed to be set off against any India Tax liability. Taxation is paid in the year in which the liability arises. VK Ltd. requires foreign investments to be discounted at 12%. The current exchange rate is Fr.2.5/INR and the Farroh is expected to depreciate against INR by 5% per year. Advise should VK Ltd. undertake the investment in Farland or not.

Note:-

1. Present Figures in thousands multiple
2. Round off all calculations.
3. PVF @12%

Year	1	2	3	4	5
PVF	0.893	0.797	0.712	0.636	0.567

Question : 2(b)

4 Marks

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What are the key reasons that have made India a sustainable and thriving environment for start-ups in recent years?

Question : 2(c)

4 Marks

Investors are exposed to several risks at each stage of the securitization transaction. Explain various types of risks in securitization transaction.

Question : 3(a)

10 Marks

Mr. Vishwas, a friend of Mr. Pramod who is one of the Directors of Ashirwad Limited, is a citizen of Mauritius. His immediate family members including his parents, born in India are residing in India. He has many friends in different parts of India, due to which he happens to visit India on frequent basis. He along with Mr. Pramod evince interest in setting up business in India and formally incorporate a company to commence their operations. Accordingly, a company is called “Aerious Private Ltd.” got incorporated in Mumbai.

To start with he received a business proposal from one of his friends Nimish a consultant. It is estimated that in equivalent terms the business shall require an initial investment of MUR 100 Million and thereafter MUR 2 Million each year will be needed as working capital fund.

He wished to evaluate whether the business proposal is viable or not. The information related to exchange rate and inflation rate is as follows:

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Spot Rate for 1 Mauritian Dollar (MUR) = 1.88 Indian Rupee (INR) The inflation in India is 6% and in Mauritius is 5%.

It is expected that this inflation rate will remain unchanged for the next 4 years. INR 8 Crore out of initial investment shall be required for setting up a plant. The useful life of the plant is 4 years. At the end of 4th year estimated salvage value of this plant shall be INR 80 lakhs. Depreciation of the plant shall be charged on the basis of straight-line method.

40 % of the investment shall be through debt funds from Mauritius at the cost of 10% (post tax) while remaining funds shall be arranged by him and his friends. They expect a rate of return of 12% on their funds.

Expected revenues & costs (excluding depreciation) in real term are as under:

Year	1	2	3	4
Revenues (₹ Crore)	6.00	7.00	8.00	8.00
Costs (₹ Crore)	3.00	4.00	4.00	4.00

Assume that applicable tax rate in India is 30%. Since there is Double tax avoidance agreement between India and Mauritius, the company is not required to pay tax in Mauritius if tax has been paid in India.

The applicable inflation rates for revenues & costs are as follows:

Year	Revenues	Costs
1	10%	12%
2	9%	10%
3	8%	9%
4	7%	8%

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He wants an expert opinion for the same investment proposal. Demonstrate whether investment in this project is viable option or not.

Note:

1. Round off calculations upto 4 decimal points.
2. Show INR calculations in Crore and MUR calculations in Million.

Question : 3(b)

4 Marks

In an efficient market, technical analysis may not work perfectly. However, with imperfections, inefficiencies and irrationalities, which characterises the real world, technical analysis may be helpful. Critically analyse the statement.

Question : 4(a)

10 Marks

Opus Technologies Ltd., an Indian IT company is planning to make an investment through a wholly owned subsidiary in a software project in China with a shelf life of two years. The inflation in China is estimated as 8 percent. Operating cash flows are received at the year end.

For the project an initial investment of Chinese Yuan (CN ¥) 30,00,000 will be in land. The land will be sold after the completion of project at estimated value of CN ¥ 35,00,000. The project also requires an office complex at cost of CN ¥ 15,00,000 payable at the beginning of project. The complex will be depreciated on straight-line basis over two years to a zero – salvage value. This complex is expected to fetch CN ¥ 5,00,000 at the end of project.

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The company is planning to raise the required funds through GDR issue in Mauritius. Each GDR will have 5 common equity shares of the company as underlying security which are currently trading at ₹ 200 per share (Face Value = ₹ 10) in the domestic market. The company has currently paid the dividend of 25% which is expected to grow at 10% p.a. The total issue cost is estimated to be 1 percent of issue size.

The annual sales is expected to be 10,000 units at the rate of CN ¥ 500 per unit. The price of unit is expected to rise at the rate of inflation. Variable operating costs are 40 percent of sales. Fixed operating costs will be CN ¥ 22,00,000 per year and expected to rise at the rate of inflation.

The tax rate applicable in China for income and capital gain is 25 percent and as per GOI Policy no further tax shall be payable in India. The current spot rate of CN ¥ 1 is ₹ 9.50. The nominal interest rate in India and China is 12% and 10% respectively and the international parity conditions hold

You are required to

- a) Identify expected future cash flows in China and determine NPV of the project in CN ¥.
- b) Determine whether Opus Technologies should go for the project or not assuming that there neither there is restriction on the transfer of funds from China to India nor any charges / taxes payable on the transfer of funds.

Question : 4(b)

4 Marks

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What do you mean by the term Unicorn? State the features a Start-up should possess to be referred as a Unicorn?

Question : 5(a)

5 Marks

DESCRIBE the factors affecting Industry Analysis.

Question : 5(b)

5 Marks

The Management of a multinational company TL Ltd. is engaged in construction of Infrastructure Project. A proposal to construct a Toll Road in Nepal is under consideration of the Management.

The following information is available:

The initial investment will be in purchase of equipment costing USD 250 lakhs. The economic life of the equipment is 10 years. The depreciation on the equipment will be charged on straight line method.

EBIDTA to be collected from the Toll Road is projected to be USD 33 lakhs per annum for a period of 20 years.

To encourage investment Nepalese government is offering a 15 year term loan of USD 150 lakhs at an interest rate of 6 per cent per annum. The interest is to be paid annually. The loan will be repaid at the end of 15 year in one tranche.

The required rate of return for the project under all equity financing is 12 per cent per annum.

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Post tax cost of debt is 5.6 per cent per annum. Corporate Tax Rate is 30 per cent.

All cash Flows will be in USD. Ignore inflation.

You are required to advise the management on the viability of the proposal by using Adjusted Net Present Value method. Ignore inflation.

Given

$$PVIFA (12\%, 10) = 5.650,$$

$$PVIFA (12\%, 20) = 7.469,$$

$$PVIFA (8\%, 15) = 8.559,$$

$$PVIF (8\%, 15) = 0.315.$$

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Question : 5(c)

4 Marks

Tokenization to some extent resembles the process of Securitization. Explain the term “Tokenization” and also illustrate the similarities between Tokenization and Securitization.

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