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The Institute of Chartered Accountants of India

Code: FN2SM461028
 Subject : 02 Strategic Financial Management

Total Marks: 100
 Marks Obtained : 68

GRAPH PAPER IS ON THE PENULTIMATE PAGE
 Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

CA FINAL Examination
 Group No. I Paper No. II
 Subject SEM

Number of Answer Books used : Main + additional sheets
 Date Seal '04 MAY 2023

For use by ICAI only
 461028

Level of Exam → 2 Intermediate (1) Final (●)
 Stream → 2 Old (1) New (●)

MCQ Booklet Serial No.	Paper No. (See Reverse)	Answers
0	0	(2)
1	1	(3)
2	2	(4)
3	3	(6)
4	4	(7)
5	5	(8)
6	6	
7	7	
8	8	
9	9	
10		

Answers table with columns 1-4 and 11-30 containing options A, B, C, D.

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...the cover
 OMR portion
 appropriate space at the
 affix the same on box provided
 number written in numbers, words and
 on wrongly, Institute will not take any

...page and question number prominently written at the
 should be distinctly written in the margin.
 fully completed in one page or in a consecutive set of pages.

...the space provided for the purpose of writing distinguishing mark,
 "b", etc., will tantamount to adoption of "unfair means"
 book to the invigilator take care to score out (X) blank pages, if any, that you

Illustration for Filling the MCQ Booklet Serial No.

1	0	0	0	0	0	0	0	0	0
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9

INSTRUCTIONS TO THE CANDIDATE FOR FILLING THE MCQ ANSWER FIELDS

Pencil to Darken the appropriate Circle.
 ...the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.
 ...candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.
 ...darken the complete circle.
 ...you want to change your Answer, erase the all darkened circle completely and make a fresh mark.
 ...Please do NOT make any stray marks on the OMR cover page.
 6. Rough work must NOT be done on the OMR cover page.
 7. Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

CORRECT METHOD: (A) ● (C) ● (D) ●

WRONG METHOD: (X) (F) (○) (◐)

Q. No.	To be ticked (✓) by the candidate against the Questions answered	EXAM	PAPER NO.	PAPER NAME
1		Intermediate - New		
2		Intermediate - (NEW COURSE)	2	CORPORATE AND OTHER LAWS
3		Intermediate - (NEW COURSE)	4	TAXATION
4		Intermediate - (NEW COURSE)	6	AUDITING AND ASSURANCE
5		Intermediate - (NEW COURSE)	7	ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT
6		Final - NEW		
7		FINAL - (NEW COURSE)	3	ADVANCED AUDITING AND PROFESSIONAL ETHICS
8		FINAL - (NEW COURSE)	4	CORPORATE AND ECONOMIC LAWS
9		FINAL - (NEW COURSE)	7	DIRECT TAX LAWS AND INTERNATIONAL TAXATION
10		FINAL - (NEW COURSE)	8	INDIRECT TAX LAWS
11				
12				
13				
14				
Total				

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Q5(a)

- Cum of Issue Price of Invst as on 1/4/18.

⇒ Dividend Reinvestment Plan

ww1: Cum of total ~~profit~~ Profit

$$= \text{Avg Profit} \times \text{No. of years}$$

$$= 121824 \times 5$$

$$= 609120$$

As on 31/3/2023 Total unit

$$= \frac{10,80,000 + 609120}{80 \text{ (NAV)}}$$

$$= 21,114 \text{ unit as on 31/3/2023}$$

ww2: Cum of total unit upto 31/3/2022 (x = unit upto 31/3/2022)

$$\therefore x + \frac{15\% \times 10 \times x}{75 \text{ (NAV)}} = 21,114 \quad \checkmark$$

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$\therefore 75x + 1.5x = 21,114$

$\therefore 76.5x = 15,83,550$

$\therefore x = 20,700$

Issued unit = 414 unit

Q3:- Cum of Unit upto 31/3/21

$20,700 = x + \frac{10 \times 10\% \times x}{68}$

$\therefore 14,07,600 = 68x + x$

$\therefore x = 20,400$

Unit issued as on 31/3/21 = 300 unit

Q4:- Cum of Unit upto 31/3/20

$x + \frac{10 \times 12\% \times x}{60} = 20,400$

$\therefore 60x + 1.2x = 12,24,000$

$\therefore x = 20,000$

Thus, Unit issued as on 1/4/18 = 20,000

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unit with face value @ 10,

⇒ Bonus Plan

con:- Calc of unit at the end of period

$$\text{Net Proceed} = 10,00,000 \times [80000 \times 5]$$

$$= 14,20,000 \quad \checkmark$$

$$\text{Unit} = \frac{14,20,000}{71} = 20,000 \text{ units}$$

con:- Calc of unit issued as on 31/12/22,

$$x \times \frac{1}{5} = 20,000$$

$$\therefore x = 5000$$

Unit issued as on 31/12/22 is 5000 before issue there is 15000 unit available.

con 3:- Unit issued as on 31/12/19

$$x \times \frac{1}{6} = 15000$$

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Ques:- Unit issued as on 31/12/18

$$= \frac{15000}{6} = 2500 \text{ unit}$$

wnH:- Unit as on 1/4/18

$$\rightarrow 15000 - 2500$$

$$\rightarrow 12,500 \text{ units}$$

\Rightarrow Calcⁿ of Issue Price as on 1/4/18

= Dividend Plan

$$\frac{\text{Issue Price (NAV as on 1/4/18)}}{\text{Investment}}$$

$$= \frac{20,80,000}{20,000 \text{ units}}$$

NAV as on 1/4/18 = ₹ 54

\Rightarrow Bonus Plan (NAV)

=
$$\frac{\text{Invst}}{\text{Issue Unit}}$$

$$= \frac{10,00,000}{12,500}$$

NAV as on 3/4/18 = ₹ 80

5a

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Q 5 (b)

⇒ Calculation of k_e (Required Return)

Particular	Smart	Growth
(a) Jensen Alpha $= \bar{R}_i - R_j$	1.10%	1.50%
(b) \bar{R}_i	8.5%	9.10%
5bStep1 <input checked="" type="checkbox"/> 0 R_j / k_e (b-a)	7.4%	7.6%
(i) <input checked="" type="checkbox"/> 0 5bStep2 <input checked="" type="checkbox"/> 0 Treganis Ratio $= \frac{\bar{R}_i - R_f}{\beta}$	0.0714	0.0775
5bStep3 <input checked="" type="checkbox"/> 0		
5b <input checked="" type="checkbox"/> 0		

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Q 5(c)

→ Venture Capital is an Investment Entity which invest for long time in the business.

- The Structure of venture Capital fund is divided into 3 parts.

- Domestic fund

Here, domestic investor invest in the vehicle & the vehicle is also managed by domestic person only.

⇒ offshore structure

- Offshore funding :-
In this foreign investor invest directly to Indian business unit.

- It fully managed by offshore country.

5cStep1



2

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- Unified Structure
- Offshore investor invest in vehicle, ~~can~~ investor appoint domestic person to manage the fund.
- It not fully operated by offshore investor.
- ⇒ In India there is no any restriction for Limited Partnership Entity to become Venture Capital fund.
- Thus, the statement "A Limited Partnership Entity in India is not recognized for the purpose of Venture Capital fund" is X ~~wrong~~ statement.
- There is no such restriction.

5c



2

5



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Q 6(a)

(i) Pre merger EPS of SPL.

EPS of merged entity will 5.5

No. of share issued = $50,000 \times \frac{4}{5}$
 = 40,000

Total no. of shares after merger = 240,000
 (200,000 + 40,000)

Merged EPS	5.5
Total Earning	= 13,20,000
BL Earning	= (10,00,000)
SPL Earning	<u>3,20,000</u>
No. of shares (before merger)	50,000
Pre Merger EPS	= 6.4 ✓

(ii) Expected MPS if PER is 10

MPS = PER × EPS
 = 6.4 × 10

MPS = ₹ 64 ✓

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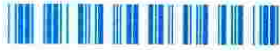


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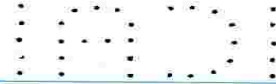
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(iii) No. of share of BL to be issued to SPL if Pre merger EPS of BL is to be maintained.

$$\begin{aligned} \text{Ex Ratio} &= \frac{\text{EPS T}}{\text{EPS A}} = \frac{6.4}{5} \\ &= 1.28 \quad \left[\therefore 1.28:1 \right] \end{aligned}$$

Thus, for every 1 share of BL 1.28 shares will issued

6aStep3



2

Total No. of share = 50,000 x 1.28
= 64,000 share

6a



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Q 2(b)

(i) - Calcⁿ of weight of each stock

	w_x	w_y	w_z
Portfolio A (6000) [10,000 × $\frac{3}{5}$]	1800	1500	2700
weight indv ^d	18%	15%	27%
Portfolio B [4000]	800	1800	1400
weight indv ^d	8%	18%	14%
Total	2600	3300	4100
weight	26%	33%	41%

(ii) Calcⁿ amount to be allocated to B & C i.e. y & z if half is allocated to x.

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If half of amount is allocated in Sec A then B & C should invest in optimum investment strategy

6bStep2 0

Sec A = 0.50%

Sec B = 0.20%

Sec C = 0.20%

6b 3

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Q 6(c)

- Index fund is combination of various stocks. The value is derived by combination of stock.

- When these stock goes up Index fund also goes up & vice versa.

6c Step 1 ✓ 1

- Other fund in Special fund Category

- Gold Denominated fund

- Commodity Denominated fund

- Government fund.

6c ✓ 1

6 ✓ 12

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Q (3) (b)

(i)

→ Here Mr V is a commodity trader & he has rice of ₹ 24000 kg.

- Thus, it has Long Position in the market, to mitigate the risk full in price

3bStep1



1

Mr V can take Short Position in future trading market.

(ii)

Take Short Position in the future market, so if price goes down it can sell future contract at specific ~~rate~~ (contract) price.

- Thus, futures market can set off the risk of falling price down, & help to mitigate the risk.

3bStep2



1

- Take future @ ₹ 8 after 3 months.
(iii) After 3 month future contract price (a) ₹ 2/kg

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(a) 72 / kg
 Take short future @ 68 for 3 month future
 No. of Contract = $\frac{24000}{500} = 48$

- Selling Price (24000 x 69)	16,56,000
(+) - Short Future Contract (68 x 48 x 500)	16,32,000
(-) Set off future contract (72 x 48 x 500)	(17,28,000)
Net Realized	15,60,000

∴ Per kg = $\frac{15,60,000}{24000} = 265$

(b) 67 / kg

- SP in spot (24000 x 69)	16,56,000
+ Short future (48 x 500 x 68)	16,32,000
(-) Set off future @ 67 (48 x 500 x 67)	(16,08,000)
	16,80,000

Per kg Realized = 270

3bStep3

6

3b

8

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Q3 (a)

(i)	Before swap	After swap
SF	BPLR + 1.5%	3.5%
IF	3%	BPLR + 0.5%
Total	BPLR + 4.5%	BPLR + 4%

3aStep1 ✓ 5 ✓

After swap there is advantage available to both company for 0.5% ✓

- But Bank requires 20 basis points as its commission, but it is very keen to structure, so it can forgo a part of its commission.

(ii) Swap can be arranged by Bank which can be beneficial to both the firm.

- If require min 20 basis points of gain

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SF require a min @ 10 basis part of gain

The both condition can be fulfilled, if Bank will forego a 30 basis part of its Commission.

3aStep2 ✓ 1 Its Bank is very keen so accordingly bank has to forego 30 basis point of its Commission. ✓

(ii) ~~Fixed Rate Pay to Lender BPLR + 0.50%~~

Bank charging Commission [0.5 - 0.3]	0.2%
IF will bore commission	0.1%
JF will bore Commission	0.1%

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Net settlement

IR		SF
3%		BPLR + 1.50%
(-) Cess 0.20		0.1%
2.80%		BPLR + 1.40%

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Net Cess

IR		0.20%
SF		0.10%

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3aStep3 ✗ 0

3a ✓ 6

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Q 3(c)

- Organization financially sustainable.
- Organization have a clear strategy for the organization.
- Organization have proper Administrative & Internal Control.
- It able Scan Environment & able to find opportunity to grow business.
- It Able to attract staff, so that they retain in organization.

3c Step 1 ✓ 4 Have more than source of income.

- Have clear ~~business~~ with values of business.
- ~~Also~~ Have more than one way to generate income.
- Regularly make Planning or Strategy related to finance.

3c ✓ 4
3 ✓ 18

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Q 1 (b)

(i) Forward Contract.

- Receipt \$ 2,40,000 on 27 Aug 2022

- So take 3 month forward ~~rate~~ Rate
 0.0123 \$/₹

= 2,40,000 × 0.0123

1bStep1 ✓ 1 = ₹ 1,95,12,195 as on 1st Aug 2022

(ii) Currency Future

Here Contract size is home currency
 & we have to buy future
 Contract size

$$\frac{\$ 2,40,000}{0.0125} = \frac{19,20,00,000}{6140,000}$$

= 30 Contracts,

- Initial Margin = 30 × ₹ 25,000
 = 7,80,000 ✓

Interim Initial margin = 2.81 × 8.5 / 12 × 3
 = ₹ 16575 ✓

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On 1st August 2022

Spot Sell ₹ 1,90,47,619.04
(2,40,000 @ 0.0126)

1bStep2 ✓ 2 Future (1920)
0.0126 - 0.0125 * 30x
(6,40,000)

(i) Int (16575)
Net Realized ~~1,90,47,619.04~~
19,029,124.

(ii) No hedging
= 2,40,000 @ Spot rate on Aug 1
= 2,40,000 @ 0.0126
1bStep3 ✓ 2 = 1,90,47,619.05

option	Amt
Final	19512195 ✓
⊗ Conv future	190,29,124.04
No Hed	190,47,619

As in forward contract
1b ✓ 5 max gain realized take
forward option

[Note:] Here future option take based on
July 1 & Initial Margin Amt 26000 Aug 1

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Before	Q1 (a)	CF in crore)
Market Cap		15000 cr
EPS		600
PE		25
MPS		15000
No. of Share		1 cr
Earnings		600 cr
Post		
MPS		10,000
PE		25
EPS		400
Earnings	$400 \times 1 \text{ cr} = 400$	320 cr
APW	No. of share $(1 \text{ cr} - 80 \text{ L})$	80 L
(i) Int amount		$600 \times (-) 320 \text{ cr}$
1aStep1	7	Int Amt = 400 cr
(ii) Loan Amt to be raised		$\frac{\text{Int Amt}}{\text{Int Rate}}$
1aStep2	1	$\frac{400 \text{ cr}}{16\%} = 2500 \text{ cr}$
(iii) Buyback Prem per share		$\frac{\text{Loan Amt}}{\text{No. of Share Buyback}}$
1aStep3	0	$\frac{2500 \text{ cr}}{1 \text{ cr} - 80 \text{ L}} = ₹ 12500$
		∴ Premium per share is ₹ 12500
1a	8	

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Q1(c)
- Swap transaction can be applied as speculation purpose or hedge a portion of risk.

- Swap can help to reduce risk & gain to both party.

- If some country is restricted from specified currency then swap can be helpful.

1cStep1



1

- Swap can be helpful if some bank not allowed to give loan due to less credit score then it can be helpful.

- It can reduce risk from foreign fluctuation.

- Swap can be used as Arbitration purpose.

1c



1

1



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Q 4 (a)

C Flow	P.V	P.V of FV	w	Divid
1 75	0.9217	69.1275	0.0708	0.0708
2 75	0.8495	63.7125	0.0652	0.1304
3 75	0.7823	58.7175	0.0600	0.1803
4 75	0.7216	54.12	0.05540	0.2216
5 75	0.6650	49.875	0.05105	0.2525
6 75	0.6129	45.9675	0.04704	0.28224
7 1125	0.5644	635.5125	0.6505	4.5535
		977.0325		5.69409

(i) $MPS = 977.0325$
Duration = 5.69 yrs

4aStep1



1

Yield to maturity = $\frac{\text{Duration}}{1 + YTM}$

4aStep2



4

= 0.60 / 59.93%

4aStep3



0

Intrinsic value 977.0325
max amount is 977.50
per bond is sell in mkt.

4aStep4



1

Yes, new investor who looky 12% YTM should go for the Bond

4a



6

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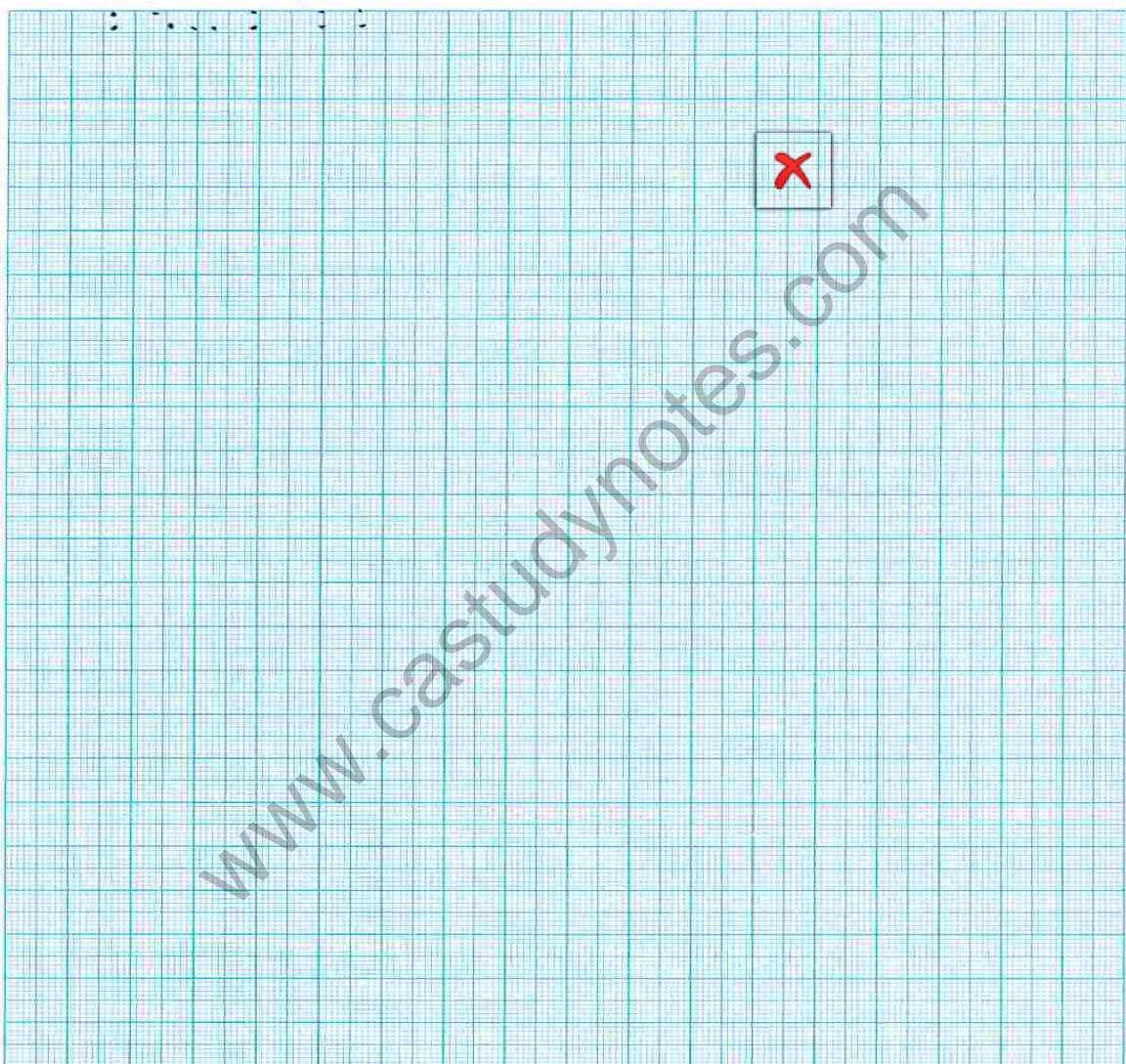

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Q4(b) (Amt in Billions)

Option I

2000 Billion \times 0.0099
 $=$ ~~£ 1998~~ Bill

Invst

(+) Div	1.98
(+) Income from stock wpt	0.1369 Billm
(-) Discut	0.0007 Billm
	(0.0396)
	<u>£ 2.0789 Billm</u>
	\div 0.0100
	£ 207.89
	<u>£ 207.8</u>

Convert into £

4bStep1 **3**

Option II

Treasury Bill Europe

Convert into Europe

$=$ 2000 Billion \times 0.011
 $=$ £ 2.2 Billion

Interest $=$ £ 2.2 \times 7.80% \times $\frac{1}{2}$
 $=$ 0.0858
 $=$ ~~£ 0.1816~~ Billion

Net Proceed $=$ ~~400.1816~~ £ $=$ 2.2858

Net Proceed in ~~£ 400.1816~~ \div 0.011
 $=$ ~~400.1816~~ \div 0.011
 $=$ 415.26 $=$ 207.8

4bStep2 **3**

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Marks Obtained: 68

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Addl. Book No.

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It is advisable to invest in Europe treasury bill

As it invest in Treasury Bill it has low risk compare to UK index fund.

As Both option have similar interest

Op I	₹ 207.8
Op II	₹ 207.8

But op II has less risk / or no risk.

So invest in op II

4b Step 3 1

4b 7

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Q4(c)

- Personal Finance is one of the Intractive way.

- In this person who want start business can use it personal Savings

- It is biggest ~~max~~ thing, but people ignore this

- Other Method

- Peer to Peer Funding

- Crowd Funding

- Personal Credit

- Family / Relative

- Purchase order Credit

4cStep1 ✓ 1

4c ✓ 1

4 ✓ 14

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Code: FN2SM461028
Subject : 02 Strategic Financial Management

Total Marks: 100
Marks Obtained : 68

Result Overview

Awarded Marks: **68**

Max Marks:100

NA Not Attempted

O Optional

M Marked

Q1_Compulsory (Score: 14/20)

Question No	Awarded Marks	Maximum Marks	Status
1	14	20	M
1a	8	10	M
1b	5	6	M
1c	1	4	M

Q2_Q6 (Score: 54/80)

Question No	Awarded Marks	Maximum Marks	Status
2	0	20	O
2a	0	8	O
2b	0	8	O
2c	0	4	O
3	18	20	M
3a	6	8	M
3b	8	8	M
3c	4	4	M
4	14	20	M
4a	6	8	M
4b	7	7	M
4c	1	4	M

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5	10	20	M
5a	8	9	M
5b	0	8	M
5c	2	4	M
6	12	20	M
6a	8	8	M
6b	3	8	M
6c	1	4	M

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