P14 Strategic Financial Management · Paper Map Dec'26

What the paper is, what each module carries, where the Dec'26 questions are expected, and the order of these notes (exam weight). Marks are from the 7 past papers (Jun'23 → Jun'26), out of the **128 printed marks**. **A prediction, not a promise.**

THE PAPER

- **Q1: 15 MCQs × 2 = 30, compulsory** — about 18 of the 30 are small sums; since Dec'25 they go module by module in syllabus order.
- **Q2–Q7: six questions of 7 + 7 marks, all sums. Q8: three short notes (5 + 5 + 4).** Answer any 5 of Q2–Q8 (you write 100 of 128).
- **80% of past marks are sums** — the most templated numbers paper: since Dec'23 every Q2–Q7 half has asked the same *type* of sum; only numbers and one twist change.
- 91% of Jun'26 marks were on a sum type asked before. The exam also copies **SM illustrations** with new numbers — the worked pattern in each module is that illustration.

HOW THESE NOTES WORK

- Each module: **formula sheet with "when to use"** → **solving steps / answer layout** → **one worked pattern** from the SM illustration the exam copies (recomputed by a script) → **practise these** (pointers only: past refs, SM illustration numbers, ICMAI Practice Workbook problems, MQP / PTP / postal, MCQ bank) → traps and the theory the sum needs.
- **P14 has no supplementary**; the SM's rates and methods apply. Anything taken from outside the SM carries a ⚠.
- "SM 505" = printed page of the ICMAI study material. "WB Ch13 illus. 4" = ICMAI Practice Workbook (Paper 14) chapter and problem.

Modules: what they cover and what they carried

#	Module (SM pages) · what it covers	J23	D23	J24	D24	J25	D25	J26	Exp D26	Priority
M13	**Financial derivatives** (479–600): index-futures hedging (Q6(a)), options — binomial, put-call parity, strategies (Q6(b)), swaps, FRA / caps / floors	16	20	22	20	18	18	18	**17.9**	★★★
M6	**Equity and bond valuation** (201–228): multi-stage DDM (Q3(b)), bond value / YTM / duration / convertibles (Q4(a))	8	16	16	16	18	16	16	**16.0**	★★★
M15	**Foreign exchange market** (635–670): quotes, cross rates, arbitrage, forward premium, IRP / PPP / Fisher (Q7(a))	2	9	2	9	9	11	11	**11.0**	★★★
M2	**Risky investment proposals** (69–102): CE, RADR, ENPV / SD / CV, decision tree, sensitivity, scenario, simulation (Q3(a))	12	7	11	7	7	11	11	**10.3**	★★★
M1	**Investment decisions** (6–59): incremental cash flows, replacement NPV, PI, MNPV / MIRR, EAC, inflation, capital rationing (Q2(a))	28	11	7	9	9	9	9	**9.0**	★★★
M9	**Asset pricing** (383–406): beta, CAPM, APT, levered / unlevered beta (Q5(a))	8	4	9	7	9	9	11	**7.9**	★★★
M17	**Digital finance** (717–735): stablecoins, CBDC, neo-banks, digital infrastructure, finance cube (Q8(a) note)	8	9	9	9	7	7	7	**7.2**	★★★
M3	**Leasing** (111–134): lease vs buy, lessor's break-even / structured rentals (Q2(b))	–	7	7	7	7	7	7	**7.0**	★★★
M8	**Portfolio theory** (299–359): two-asset risk, Sharpe single-index vs Markowitz, utility / risk penalty (Q5(b))	8	9	9	9	11	2	7	**6.9**	★★
M16	**Forex risk management** (685–707): forward vs money market vs option hedge (Q7(b))	16	7	14	7	7	7	7	**6.6**	★★★
M14	**International financial environment** (617–629): GDR / ADR / foreign bonds, World Bank / IMF (Q8(b) note)	–	5	5	5	5	7	7	**6.5**	★★
M10	**Portfolio performance** (419–436): Sharpe, Treynor, Jensen rankings	8	7	7	4	4	7	7	**6.4**	★★★

M4	**Securitisation** (147–155): features, parties, mechanism, limitations, SPV securities (Q8(c) note)	6	4	6	4	4	6	6	**5.6**	★★
M7	**Mutual funds** (237–286): NAV with loads / dividends, investor return (Q4(b), December)	10	9	2	9	7	7	–	**5.1**	★★
M5	Security analysis (163–190): technical indicators (RSI, stochastic, moving averages) — MCQ (v)	–	2	–	4	4	2	2	2.5	★
M12 · M11	Risks in financial markets (465–473) — MCQ (ix) · Efficient market hypothesis (445–455) — MCQ facts	2	2	2	2	2	2	2	2.1	★

Exp D26 = expected marks in the Dec'26 printed paper (workbook "Marks by Topic", from the slot model). Printed order of these notes = this table's order.

Where the Dec'26 questions are expected (the template since Dec'23)

Q	(a) 7 marks	(b) 7 marks	Notes pack
Q2	**NPV sum** (6 of 6) — every December a **replacement** (tax on old asset, depreciation shield, working capital, salvage, subsidy)	**Leasing** (6 of 6): lessor's rental (4 of last 5) or **lease vs buy** (D23, D24 — due)	M1 · M3
Q3	**Risk analysis**: ENPV / SD / CV (last 3), decision tree (MQP), scenario, simulation	**Multi-stage DDM** (6 of 6), g = ROE × retention, P/E check	M2 · M6
Q4	**Bond** (6 of 6): value v price, duration, convertible (due)	**Fund NAV** (every December) or Sharpe / Treynor ranking	M6 · M7 · M10
Q5	**CAPM / beta**: beta from covariance, under / over-valued, levered beta, alpha	**Portfolio risk** (single-index v Markowitz) or performance ranking	M9 · M8 · M10
Q6	**Index-futures hedge** (6 of 6) — the December template D23 = D24 = D25	**Options** (binomial, parity, strategies) or swap / FRA / cap	M13
Q7	Cross rates, triangular arbitrage, IRP / PPP — or a hedge	**Forward v money market v option** (every paper)	M15 · M16
Q8	(a) Digital finance note 5 · (b) GDR / ADR / foreign bonds or World Bank / IMF 5 · (c) securitisation list 4		M17 · M14 · M4

Q1 · THE 15 MCQ POSITIONS (SYLLABUS ORDER, D25 = J26)

i. Capital budgeting: MNPV / MIRR, PI, APV (M1)
ii. Sensitivity analysis (M2)
iii. Certainty equivalent / ENPV (M2)
iv. Securitisation (M4)
v. Technical analysis: RSI, stochastic (M5)
vi. Bond value (M6)
vii. CAPM or utility / CML (M9 / M8)
viii. Levered / unlevered beta (M9)
ix. Types of risk (M12)
x. Options: Greeks, payoffs (M13)
xi. Options / futures / FRA (M13)
xii. GDR / ADR / foreign bonds (M14)
xiii. Exchange rates / arbitrage (M15)
xiv. Parity: IRP / PPP / Fisher (M15)
xv. Digital finance (M17)

YOUR 5 OF 7 (ANALYSIS §5)

- **Core: Q2, Q3, Q4, Q6, Q7** — 70 marks of repeatable sums. Start with Q6 (derivatives, the biggest module), then Q4 (bond + fund).
- **Spare 1: Q5** — CAPM / beta / portfolio; the sub-type rotates most.
- **Spare 2: Q8** — notes that repeat almost word for word (GDR features, SPV securities, stablecoin variants each came twice).
- On the day, drop the two questions whose **twist** you are least sure of.

STUDY ORDER (FIRST 11 ROWS ≈ 57% OF THE PAPER)

1. 6.2 Bond valuation
2. 6.1 Equity valuation (DDM)
3. 13.2 Index-futures hedging
4. 13.3 Options
5. 1.1 NPV / replacement
6. 16.1 Transaction-exposure hedging
7. 10.1 Sharpe / Treynor / Jensen
8. 17.2 Digital finance ecosystem
9. 2.1 Risk analysis (ENPV / SD / CV)
10. 9.1 CAPM and APT
11. 8.1 Portfolio return and risk

Then 15.2 cross rates, 14.2 GDR / ADR, 3.2 lessor's rental, 7.3 NAV, 15.3 arbitrage (first 16 ≈ 72%).

⚠ WHAT COULD GO WRONG (ANALYSIS §7)

- **A new twist inside a familiar sum** (a subsidy, a trade-in, a callable bond, joint probabilities): practise two or three variants of each slot, not one model answer.
- **The June template in December** — know both versions of Q2(a) (new project), Q4(b) (investor return / Sharpe–Treynor) and Q6(a) (cut beta by selling shares for risk-free securities or by futures).
- **Q6(b) moves to interest-rate derivatives**: FRAs and caps have never been examined but sit in the MQP, PTP and postal paper.

Formula card — the sums, the formula, when to use it

Every formula is checked against its SM page; the module notes give the steps and the worked pattern. ⚠ = not in the SM (from ICMAI's workbook / answers).

Q · when	Formula
Q2(a) NPV	CFAT = EBIT (1 − t) + depreciation; PI = PV of inflows ÷ outlay [SM 8, SM 18]
MCQ (i)	MIRR = (FV of inflows ÷ PV of outflows)$^{1/n}$ − 1; MNPV = terminal value × PVIF − outlay; EAC = NPV ÷ PVIFA [SM 25–27, SM 30]
Q2(b) leasing	Rate = $k_d(1 - t)$; lessee BELR: rental (1 − t) PVIFA = PV of buying; lessor BELR = cost − PV dep. shield − PV salvage [SM 113, SM 115]
Q3(a) risk	E(CF) = Σ P × CF; SD = √Σ P (CF − mean)^2; CV = SD ÷ ENPV; CE: α × CF at the risk-free rate [SM 70–71, SM 75]
MCQ (ii)	Sensitivity = change that makes NPV = 0 ÷ estimate [SM 84]
Q3(b) DDM	$P_0 = \Sigma D_t \div (1 + k)^t + [D_{n+1} \div (k - g)] \div (1 + k)^n$; g = b × ROE; k = $D_1 \div P_0$ + g [SM 204, SM 209]
Q4(a) bond	P = C × PVIFA + RV × PVIF; YTM ≈ [C + (M − P) ÷ n] ÷ (0.4M + 0.6P) [SM 213, SM 217]
Q4(a) ⚠	Duration = Σ t × PV ÷ price; volatility = duration ÷ (1 + YTM); convertible: conversion value = ratio × share price (WB Ch4)
Q4(b) NAV	NAV per unit = net assets ÷ units; return = (ΔNAV + distributions) ÷ opening NAV [SM 254–255]

Q · when	Formula
Q5(a) CAPM	$E(R) = R_F + \beta(R_M - R_F)$; $\beta_L = \beta_U[1 + (1 - t) D/E]$ [SM 384, SM 390]
Q5(b) portfolio	$\sigma_p^2 = W_1^2\sigma_1^2 + W_2^2\sigma_2^2 + 2W_1W_2Cov$; residual = total − $\beta^2\sigma_M^2$ [SM 301, SM 351]
Q4(b) / Q5	Sharpe = $(R - R_f) \div \sigma$; Treynor = $(R - R_f) \div \beta$; Jensen α = $R - [R_f + \beta(R_m - R_f)]$ [SM 425, SM 428]
MCQ (vii)	Risk penalty = risk^2 ÷ risk tolerance; utility = E(R) − penalty [SM 320]
Q6(a) futures	$F = S e^{rt}$ (dividend yield: $S e^{(r-y)t}$); contracts = V × (β* − β) ÷ (index × lot) [SM 493, SM 505]
Q6(b) options	$C + X e^{-rt} = P + S$; $\Delta = (C_u - C_d) \div (S_u - S_d)$; p = (f − d) ÷ (u − d) [SM 539, SM 541, SM 563]
Q7(a) forex	Cross: bid × bid, ask × ask; premium p.a. = (F − S) ÷ S × 12 ÷ months [SM 645–646]
Q7 / MCQ (xiv)	PPP $e_0(1 + i_h) \div (1 + i_f)$; IRP $e_0(1 + r_h) \div (1 + r_f)$; Fisher (1 + n) = (1 + r)(1 + i) [SM 662, SM 665, SM 668]
Q7(b) hedge	Forward / money market (invest for a payable, borrow for a receivable) / option (premium + min(spot, strike)) [SM 688–690]