# P14 · December 2026 · the questions to study

topic by topic, in study-material order

**WHY THIS LIST**

The exam keeps asking the same concepts. Share of each paper's marks on a concept that had already been asked in an earlier paper:

**Jun'24 58% · Dec'24 65% · Jun'25 77% · Dec'25 88% · Jun'26 91%**. Adding ICMAI's practice papers of the term: Jun'26 **91%**. This list is every concept asked in the seven papers (Jun'23–Jun'26) and in ICMAI's Jun'26 MQP, PTP and postal paper, plus our Dec'26 calls for concepts not yet asked. The rest of the marks come from new questions on the same topics (every Jun'26 question was on a topic asked before).

**HOW TO READ A ROW**

- ★★★ concept asked in 3+ of the 7 papers, or one of our Dec'26 calls: prepare first
- ★★ concept asked in 2 papers
- ★ asked once, or only in ICMAI's practice papers · SM exercise lines: if time
- **What the stars were worth** (tested on Jun'26, counting only the papers before it): ★★★ concepts carried **45%** of its marks, ★★★ + ★★ **69%**, all three **91%**.
- **Answer in**: where your coaching books already answer the same question — for a sum: the SM illustration or ICMAI workbook problem the exam copied ("same problem") or closely followed ("similar problem"); its full solution is printed right after it. Blank = practise the problems listed under the topic.
- **Sums are listed by what they ask**, not the full problem: open the paper (or the SM / workbook page) to solve it. Each topic ends with **Problems to solve** from the SM and the workbook: ★★★ = the exam already used it, ★★ = SM illustration or workbook problem, ★ = SM exercise sum.

**MCQ PLACES (Q1, 15 × 2 MARKS): TOPIC IN EACH PLACE, LAST FOUR PAPERS**

| Q1 | Dec'24 | Jun'25 | Dec'25 | Jun'26 |
|---|---|---|---|---|
| (i) | 1.2 | 1.2 | 1.1 | 1.2 |
| (ii) | 6.1 | 6.1 | 2.2 | 2.2 |
| (iii) | 15.2 | 10.1 | 2.1 | 2.1 |
| (iv) | 10.1 | 6.2 | 4.4 | 4.2 |
| (v) | 5.2 | 13.3 | 5.2 | 5.2 |
| (vi) | 17.2 | 5.2 | 6.2 | 6.2 |
| (vii) | 13.3 | 9.1 | 8.2 | 9.1 |
| (viii) | 17.2 | 8.2 | 9.2 | 9.2 |
| (ix) | 8.2 | 15.5 | 12.0 | 12.0 |
| (x) | 13.3 | 17.2 | 13.3 | 13.3 |
| (xi) | 13.2 | 10.1 | 13.3 | 13.3 |
| (xii) | 7.3 | 11.2 | 14.2 | 14.2 |
| (xiii) | 10.1 | 5.2 | 15.2 | 15.3 |
| (xiv) | 5.2 | 13.3 | 15.5 | 15.5 |
| (xv) | 11.2 | 8.1 | 17.2 | 17.2 |

**DEC'26 MCQ CALLS: ONE TOPIC PER PLACE (A CALL, NOT A PROMISE)**

| Place | Call | Runner-up | Why |
|---|---|---|---|
| **(i)** | **1.2 NPV vs IRR, MIRR / MNPV (numerical)** | 1.1 DCF cash flows | 1.2 in D24, J25, J26; 1.1 in D25, MQP, PTP. MIRR / MNPV asked both ways three times. |
| **(ii)** | **2.2 Sensitivity analysis (numerical)** | 2.1 Risk-adjusted methods | 2.2 in D25, J26 and the MQP. |
| **(iii)** | **2.1 Certainty equivalent / risk-adjusted rate (numerical)** | 2.2 Sensitivity | 2.1 in D25, J26, MQP and PTP. |
| **(iv)** | **4.4 Securitisation instruments** | 4.2 Participants | Alternates 4.4 (D25, PTP) and 4.2 (J26, MQP). |
| **(v)** | **5.2 Technical analysis (numerical)** | 5.1 Fundamental analysis | 5.2 in D24, D25, J26 and the MQP. |
| **(vi)** | **6.2 Bond valuation: price, YTM, duration** | 6.1 Equity valuation | 6.2 in J25, D25, J26, MQP and PTP. |
| **(vii)** | **8.2 Optimal portfolio / CML** | 9.1 APT / multifactor | 8.2 D25, 9.1 J26, 10.1 MQP, 8.1 PTP: portfolio theory in 3 of 4. |
| **(viii)** | **9.2 Levered / unlevered beta (numerical)** | 8.2 Portfolio | 9.2 in D25, J26, MQP and PTP. |
| **(ix)** | **12.0 Concept of risk** | 13.2 Futures | 12.0 in D25 and J26; the practice papers put 13.2 here. |
| **(x)** | **13.3 Options: payoff, put-call parity (numerical)** | 13.5 Interest-rate derivatives | 13.3 in D24, D25, J26 and the MQP. |

| | | | |
|---|---|---|---|
| **(xi)** | **13.3 Options (theory)** | 13.2 Forwards and futures | 13.3 in D25, J26 and the PTP. |
| **(xii)** | **14.2 Sources of foreign currency** | 13.1 Derivatives basics | 14.2 in D25, J26 and the PTP. |
| **(xiii)** | **15.2 Exchange rates: cross rates, spreads (numerical)** | 15.3 Spot / forward market | 15.2 D24, D25, MQP, PTP; 15.3 J26. |
| **(xiv)** | **15.5 Parity: IRP / PPP** | 15.2 Exchange rates | 15.5 in J25, D25, J26, MQP and PTP. |
| **(xv)** | **17.2 Digital finance ecosystem** | 17.3 Regulation of digital finance | 17.2 in D24, D25, J26 and the MQP. |

## 1.1 Measuring Cash Flows, Discounted Cash Flow Technique for Project Evaluation

SM pp. 6–27 · marks per attempt: **J26-7 · D25-9 · J25-7 · D24-7 · J24-7 · D23-9 · J23-12** · Dec'26 forecast: tier **A**, about **9** marks when it comes, chance it comes **98%** (Q2(a) NPV sum (new project or replacement) + MCQ (i))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Replacement decision: compute the incremental cash flows (tax on sale of the old machine, depreciation tax shield, working capital, salvage), the NPV and the profitability index, and advise. [REPEAT · Every December Q2(a) was a replacement (D23, D24, D25 - D25 with a subsidy); J25 with trade-in and WDV]
2. Choose between two replacement machines (CD or EF) for the old machine AB: cash flows and NPV. [PRACTICE · MQP Q2(a)]
3. New project with capacity build-up, WDV depreciation and extra working capital: NPV and decision. [REPEAT · J24 Q2(a), J26 Q2(a)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | New project: capacity build-up, WDV, extra working capital; NPV | J26 Q2(a) · 7 m · asked in 7 papers | same problem: Workbook ch.1 illustration 15 (WB p.15; solution there) |
| ★★★ | Replacement with a subsidy: NPV and profitability index | D25 Q2(a) · 7 m · asked in 7 papers | |
| ★★★ | Replacement with trade-in, WDV depreciation, staged working capital | J25 Q2(a) · 7 m · asked in 7 papers | |
| ★★★ | Replace a manual machine: cash savings, NPV | D24 Q2(a) · 7 m · asked in 7 papers | |
| ★★★ | New AI system: NPV with savings, deferred payment, advance maintenance | J24 Q2(a) · 7 m · asked in 7 papers | same problem: Workbook ch.1 illustration 15 (WB p.15; solution there) |
| ★★★ | Replacement: annual cash savings, PV of inflows, viability | D23 Q2(a) · 7 m · asked in 7 papers | |
| ★★★ | Overhaul vs replace parts: NPV of overhaul (costs rising 5%); NPV of replacing the parts; Advise overhaul or replace | J23 Q2(a)(i)(ii)(iii) · MQP Q2(a) · 10 m · asked in 7 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★ | (i) The PROFITABILITY Index (PI) of Project TN is 2 when its annual after tax cash inflows commencing from year end 2 to 4 of ₹ 400 Lakh (each year) is discounted at 10%. How much would have been the initial cash outlay which was fully made at the beginning of year 1? [Given: PVIF (10% yr1 to yr4) = 0.909, 0.826, 0.751 and 0.683] [2] (A) ₹ 400 Lakh (B) ₹ 452 Lakh (C) ₹ 634 Lakh (D) None of the above | D25 Q1(i) · 2 m · asked in 2 papers | |
| ★★ | (i) ZOTSON Plc. has been evaluating investment in a project which will require ₹ 39 lakh capital expenditure on a new machinery. The company expects the capital investment to provide annual cash flows of ₹ 6 lakh per year after taxes indefinitely. The discount rate, which it applies to invest decisions of this nature, is 14 per cent net. What will be the Base Case NPV for ZOTSON Plc.'s project? (Calculation upto two decimal points.) (A) ₹ 4·00 lakh (B) ₹ 3·86 lakh (C) ₹ 3·56 lakh (D) ₹ 3·25 lakh | J23 Q1(i) · PTP Q1(i) · POSTAL Q1(vi) · 2 m · asked in 2 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | (i) A project of ROBN Ltd. has a Net Present Value (base case NPV) of ₹ 1,50,000. This project has one financial side effect; it expands the firm's borrowing power by ₹ 5,00,000. The project lasts indefinitely so it is treated as supporting perpetual debt. If the borrowing rate is 10 per cent and the net tax-shield is 35 per cent, the Adjusted Net Present Value (ANPV) of the project will be (A) ₹ 3,25,000 (B) ₹ 3,10,000 (C) ₹ 2,88,000 (D) None of the above [2 Marks] | D23 Q1(i) · MQP Q1(i) · 2 m | |

**Problems to solve (21): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: A company is considering replacement of one of its old machines, purchased… | SM M1 Illus. 2 · SM p.9 | |
| ★★ | Practical problem: A project costing ₹10 lakhs having a life of 5 years is expected to generate… | SM M1 Illus. 3 · SM p.11 | |
| ★★ | A project requires an initial investment of ₹3,00,000 | SM M1 Illus. 4 · SM p.12 | |
| ★★ | Practical problem: A project requires an initial investment of ₹3,00,000 | SM M1 Illus. 5 · SM p.13 | |
| ★★ | A project with an initial investment of ₹50 Lakh and life of 10 years, generates CFAT of ₹10… | SM M1 Illus. 6 · SM p.14 | |
| ★★ | A project requires an initial investment of ₹2,00,000 | SM M1 Illus. 7 · SM p.14 | |
| ★★ | Practical problem: X Ltd. is considering a project with following cash flow pattern | SM M1 Illus. 8 · SM p.15 | |
| ★★ | Practical problem: Z Ltd. has two projects under consideration A & B, each costing ₹60 lakhs | SM M1 Illus. 9 · SM p.17 | |
| ★★ | Practical problem: K Ltd. is considering a new project with an initial outlay of ₹70,000 | SM M1 Illus. 10 · SM p.18 | |
| ★★ | Practical problem: A company provides you the following information relating to two mutually… | SM M1 Illus. 11 · SM p.19 | |
| ★★ | Practical problem: A firm is considering a project requiring ₹50 lakh of investment | SM M1 Illus. 12 · SM p.21 | |
| ★★ | Practical problem: Consider the following information in respect of a project | SM M1 Illus. 13 · SM p.23 | |
| ★★ | Practical problem: Calculate the IRR of a project having following cash flow structure over its… | SM M1 Illus. 14 · SM p.24 | |
| ★★ | Practical problem: From the following information calculate the MIRR of the project | SM M1 Illus. 15 · SM p.26 | |
| ★★ | Practical problem: A company is contemplating an investment project of 4 years with an initial… | SM M1 Illus. 16 · SM p.27 | |
| ★★ | Payback, discounted payback, NPV and IRR of a six-year power project; accept or not | Workbook ch.1 illustration 1 · WB p.1 | |
| ★★ | Replace a moulding machine: incremental cash flows with trade-in, tax and working capital | Workbook ch.1 illustration 9 · WB p.7 | |
| ★★ | Keep, upgrade or replace a machine: compare NPVs | Workbook ch.1 illustration 11 · WB p.10 | |
| ★★ | Cogeneration power plant: financial viability and levelised cost per unit | Workbook ch.1 illustration 14 · WB p.13 | |
| ★ | Practical problem: An oil company proposes to install a pipeline for transport of crude from wells… | SM M1 exercise sum 1 · SM p.63 | |
| ★ | Practical problem: A particular project has a four-year life with yearly projected net profit of… | SM M1 exercise sum 2 · SM p.63 | |

★ **SM exercise (if time):** M1 MCQ (not in the bank) 3 (p.60): Which of the following statements is/are true · M1 short essay 1 (p.61): Problems of traditional PBP method be overcome · M1 short essay 3 (p.61): IRR related to NPV and PI method · M3 MCQ (not in the bank) 6 (p.136): Practical problem: A project has a 10% discounted pay back of 2 years with annual after tax cash… · M3 MCQ (not in the bank) 7 (p.136): Practical problem: A project is expected to yield an after tax cash inflow at the end of year 2 of… · M3 MCQ (not in the bank) 10 (p.137): Given for a project: Annual Cash inflow = ₹80,000, Useful life = 4 years Undiscounted Pay-Back… · M3 MCQ (not in the bank) 11 (p.137): Practical problem: Initial investment of a project is ₹ 25 lakh · M3 MCQ (not in the bank) 14 (p.137): Practical problem: Z Ltd. invests ₹ 20 lacs in a project with life 5 years and no salvage value · M3 MCQ (not in the bank) 16 (p.138): Practical problem: A project has a 10% discounted pay back of 2 years with annual after tax cash… · M3 MCQ (not in the bank) 17 (p.138): The following is true in a capital budgeting exercise with discounted cash flow technique:… · M3 MCQ (not in the bank) 18 (p.138): The following is not a disadvantage of pay-back period as an evaluation measure forselecting a… · M3 MCQ (not in the bank) 19 (p.138): Practical problem: Annual Cost Saving ₹4,00,000 Useful life 4 years Cost of the Project ₹11,42,000 · M3 MCQ (not in the bank) 21 (p.139): If the cost of an investment is ₹ 25,000 and it results in a net cash inflow of ₹1,800 per… · M3 MCQ (not in the bank) 22 (p.139): Practical problem: A project has the following cash flows · M3 MCQ (not in the bank) 25 (p.140): Practical problem: For an investment project, the following information is available · M3 MCQ (not in the bank) 26 (p.140): Practical problem: The following information is available in case of an investment proposal · M3 MCQ (not in the bank) 27 (p.140): The Profitability Index of a project is 1.28 and its cost of investment is ₹2,50,000 · M3 MCQ (not in the bank) 29 (p.140): Practical problem: The IRR of a project is 10% · M3 MCQ (not in the bank) 31 (p.141): The Gross Profitability Index of a project is 1.52 and its NPV is ₹52,000, The cost of… · M3 MCQ (not in the bank) 32 (p.141): Practical problem: If Annual CFAT is ₹ 5,40,000, Project life is 4 years and initial cost is ₹…

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q1, Q2, Q4, Q5, Q6, Q8, Q9, Q10, Q173, Q180, Q181

## 1.2 NPV and IRR - Conflict and Resolution, MIRR, Comparing Projects with Unequal Lives, The Concept of Abandonment Value, MACRS

SM pp. 28–34 · marks per attempt: **J26-2 · J25-2 · D24-2 · J23-6** · Dec'26 forecast: tier **B**, about **2** marks when it comes, chance it comes **60%** (MCQ (i))

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Buy alternative: equivalent annual cost; Recommend the lowest EAC | J23 Q8(ii)(iv) · 6 m | same problem: SM M2 exercise sum 1 (SM p.106; solution there) |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (i) ZOBON (P) Ltd., expects a uniform Cash inflow of ₹ 12 Crore for 5 years from its Project ZB. The expected rate at which the said cash flow will be reinvested is 15\%. The cost of capital for the Company is 12\%. If the Modified Net Present Value (MNPV) of the Project ZB is ₹ 5.905 Crore, how much the company will invest (in ₹) in the said Project? [2] [Given PVIF / FVIFA] \| Interest Rate \| 12 % \| 14 % \| 15 % \| \| \| PVIF (5 Yrs.) \| 0.5674 \| 0.5194 \| 0.4972 \| \| FVIFA (5 Yrs.) \| 6.353 \| 6.610 \| 6.742 \| (A) ₹ 30 Crore (B) ₹ 36 Crore (C) ₹ 40 Crore (D) None of the above | J26 Q1(i) · 2 m · asked in 3 papers | |
| ★★★ | (i) ROXIN Ltd. is contemplating an investment project RZ of 5 years with an initial outlay of ₹ 30 crore. The company expects a uniform cash inflow of ₹ 10 crore for five years from this project. The expected rate at which the said cash flows will be reinvested is 12%. If the cost of capital for the company is 10%, what will be the Modified Net Present Value (MNPV) of the project RZ? [Given: PVI Factors/FVI Factors] \| Interest Rate (R) \| 10% \| 11% \| 12% \| \| \| PVIF (5 yrs.) \| 0.6209 \| 0.5934 \| 0.5674 \| \| FVIFA (5 yrs.) \| 6.1051 \| 6.2278 \| 6.3528 \| (A) ₹ 9.445 crore (B) ₹ 7.907 crore (C) ₹ 6.605 crore (D) None of the above [2] | J25 Q1(i) · 2 m · asked in 3 papers | |
| ★★★ | (i) GINSP Ltd. invested ₹ 36 crore in its recent ProjectGZ. The company expects a uniform cash inflows of ₹ 12 crore for 5 years from this ProjectGZ. The cost of capital of the company is 12%. The Modified NPV (MNPV) of this ProjectGZ is ₹ 8.123 crore. What will be the reinvestment rate applicable to the cash inflows expected to be generated by this ProjectGZ? (Calculation to be rounded off to 3 decimals). [Given : PVI Factor / FVI (Future Value Interest) Factors.] \| Interest (r) \| 11% \| 12% \| 13% \| 14% \| \| \| PVIF (5 Yrs.) \| 0.5934 \| 0.5674 \| 0.5428 \| 0.5194 \| \| FVIFA (5 Yrs.) \| 6.228 \| 6.353 \| 6.480 \| 6.610 \| (A) 13% (B) 12% (C) 14% (D | D24 Q1(i) · 2 m · asked in 3 papers | |

**Problems to solve (8): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: PQR Ltd is considering two projects X and Y. The cash flows associated with the… | SM M1 Illus. 17 · SM p.28 | |
| ★★ | Practical problem: XYZ Ltd is considering two investment projects A and B. Project A has a life of… | SM M1 Illus. 18 · SM p.29 | |
| ★★ | Practical problem: ABC Ltd is considering two investment projects X and Y. The cash flows… | SM M1 Illus. 19 · SM p.30 | |
| ★★ | Practical problem: X Ltd. is considering a capital project with the following characteristics | SM M1 Illus. 20 · SM p.33 | |
| ★★ | Two machines with different lives: equivalent annual cost in real terms | Workbook ch.1 illustration 4 · WB p.3 | |
| ★★ | Mutually exclusive projects with unequal lives after tax and depreciation: which to choose | Workbook ch.1 illustration 5 · WB p.4 | |
| ★★ | Replace an old machine now or after one year | Workbook ch.1 illustration 6 · WB p.5 | |
| ★★ | Terminal value method with different reinvestment rates | Workbook ch.1 illustration 7 · WB p.6 | |

★ **SM exercise (if time):** M1 short essay 2 (p.61): How will you treat salvage value and working capital investment in NPV method · M1 short essay 4 (p.61): Possible reasons of conflict between IRR and NPV · M1 essay 1 (p.62): Multiple IRR · M1 essay 2 (p.62): How will you resolve the conflict between IRR and NPV in case of mutually exclusive projects · M1 essay 3 (p.62): MIRR · M1 essay 4 (p.62): Modified NPV method · M1 MCQ (not in the bank) 3 (p.62): Practical problem: From the following information calculate the MIRR of the project · M1 MCQ (not in the bank) 5 (p.62): Practical problem: The NPV of a 4-year project is ₹ 220 lakh and PVIFA at 12% for 4 years is 3.037 · M3 MCQ (not in the bank) 9 (p.136): Practical problem: Duhita Ltd. intends to buy an equipment · M3 MCQ (not in the bank) 24 (p.139): Practical problem: The NPV of a 5 year project is ₹250 lakh and PVIFA at 10% for 5 years is 3.79 · M3 MCQ (not in the bank) 28 (p.140): Practical problem: From the following information calculate the MIRR of the project · M3 MCQ (not in the bank) 30 (p.141): Practical problem: The NPV of a 4 year project is ₹220 lakh and PVIFA at 12% for 4 years is 3.037

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q11, Q12, Q15, Q176

## 1.3 Inflation Adjusted Cash Flow Forecasting in Capital Budgeting

SM pp. 35–37 · marks per attempt: **D23-2 · J23-10** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **15%** (MCQ)

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Case: rent-and-extend, NPV of outflows with inflation; Build alternative: NPV of outflows | J23 Q8(i)(iii) · 10 m | same problem: SM M2 exercise sum 1 (SM p.106; solution there) |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | (xv) RTZ Ltd. wishes to earn real rate of 10% from its project. When the inflation recorded is 7%, what is the normal rate the company would earn? (A) 16.60% (B) 17.70% (C) 18.20% (D) None of the above [2 Marks] | D23 Q1(xv) · 2 m | |

**Problems to solve (4): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: The following information is available | SM M1 Illus. 21 · SM p.36 | |
| ★★ | NPV with real versus nominal cash flows when the cost of capital includes inflation | Workbook ch.1 illustration 2 · WB p.2 | |
| ★★ | Inflation-adjusted revenues and costs: project NPV | Workbook ch.1 illustration 10 · WB p.9 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★ | Practical problem: A company is considering a cost saving project | SM M1 exercise sum 3 · SM p.63 | |

★ **SM exercise (if time):** M1 MCQ (not in the bank) 1 (p.60): Which of the following statements is/are true · M3 MCQ (not in the bank) 13 (p.137): M uses 12% as nominal required rate of return to evaluate its new investment projects

## 1.4 Capital Rationing for Divisible and Non-divisible Projects (with Application of Integer Programming)

SM pp. 38–40 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (-)

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | NPV of project combinations with economies (not found in the SM text) | PTP Q2(a) · 7 m | |

**Problems to solve (1): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: X Ltd. has ₹ 20,00,000 allocated for capital budgeting purposes | SM M1 Illus. 22 · SM p.40 | |

★ **SM exercise (if time):** M3 MCQ (not in the bank) 8 (p.136): Practical problem: A company has ₹7 crore available for investment · M3 MCQ (not in the bank) 12 (p.137): Practical problem: A company is considering four projects A, B, C and D with the following...

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q7, Q13, Q174, Q177, Q201

## 1.5 Social Cost Benefit Analysis

SM pp. 41–59 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (-)

★ **SM exercise (if time):** M1 solved case 1 (p.59): Materials stock increase are taken in cash flows · M1 short essay 5 (p.61): Need for Social Cost Benefit Analysis · M1 essay 5 (p.62): Relevance of SCBA for private enterprises

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q14

## 2.1 Risk Analysis in Capital Budgeting - Certainty Equivalent Approach, Risk Adjusted Discount Rate, Expected NPV, Standard Deviation of NPV and Use of Normal Distribution, Decision Tree Analysis, Options in Capital Budgeting

SM pp. 69–82 · marks per attempt: **J26-9 · D25-9 · J25-7 · J24-4 · D23-7 · J23-12** · Dec'26 forecast: tier **A**, about **9** marks when it comes, chance it comes **95%** (Q3(a) risk sum + MCQ (iii))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Two projects with probability distributions: expected NPV, standard deviation, coefficient of variation; which is riskier (against an industry benchmark CV)? [REPEAT · J25, D25, J26 Q3(a) (three running); PTP Q3(a)]
2. Draw the decision tree; compute the expected NPV of each path, the worst outcome and its probability, the probability of a negative NPV. [PRACTICE+REPEAT · J23 Q3(a); MQP Q3(a)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Joint probabilities: expected inflow, SD from CV, NPV at risk-adjusted rates | J26 Q3(a) · 7 m · asked in 4 papers | same problem: SM M2 Illus. 2 (SM p.71; solution there) · same problem: SM M8 Illus. 6 (SM p.310; solution there) |
| ★★★ | Expected inflows, CV vs an industry benchmark CV | D25 Q3(a) · 7 m · asked in 4 papers | same problem: SM M2 exercise sum 1 (SM p.106; solution there) |
| ★★★ | Two projects: expected NPV, SD, coefficient of variation | J25 Q3(a) · 7 m · asked in 4 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Payoff table: expected values + minimax regret | D23 Q3(a) · PTP Q1(ii) · 7 m | |
| ★ | Decision tree for a 2-year project; Expected NPV path by path; NPV in the worst outcome + its probability; Probability of a negative NPV; Accept or reject | J23 Q3(a)(i)(ii)(iii)(iv)(v) · MQP Q3(a) · 10 m | same problem: SM M2 Illus. 9 (SM p.78; solution there) · same problem: SM M2 Illus. 10 (SM p.79; solution there) |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (ii) SBT company is considering four projects P, Q, R and T with the following information: \| \| Project A \| Project B \| Project C \| Project D \| \| \| Expected NPV (₹) \| 1,20,000 \| 1,60,000 \| 1,40,000 \| 1,80,000 \| \| Standard Deviation (₹) \| 8,000 \| 20,000 \| 24,000 \| 28,000 \| Identify the Least Risky Project if coefficient of variation is used: (A) Project P (B) Project Q (C) Project R (D) Project T | J23 Q1(ii) · PTP Q1(iii) · PTP Q3(a) · 2 m · asked in 4 papers | |
| ★★ | (iii) The Financial Manager of YIRO Ltd. feels that he would rather have a certain inflow of ₹ 15,000 in the second year of a project than an inflow of ₹ 20,000 with probability of 0.75 and ₹ 40,000 with probability of 0.25 respectively. [2] What will be the certainty equivalent Co-efficient of Cash inflow? (A) 0.60 (B) 0.50 (C) 0.40 (D) None of the above | J26 Q1(iii) · 2 m · asked in 2 papers | |
| ★★ | (iii) The following information is extracted from the Project of PAM Ltd.: \| Expected Cash Flow (₹) \| Probability \| \| \| 10,000 \| 0.70 \| \| 20,000 \| 0.30 \| Amount in lieu of Expected Cash Flow = ₹ 12,000. The certainty equivalent co-efficient is [2] (A) 1.083 (B) 1.00 (C) 0.920 (D) None of the above | D25 Q1(iii) · MQP Q1(iii) · 2 m · asked in 2 papers | |
| ★ | (i) A Project of ZOBM Ltd. requires an initial investment of ₹ 100 Lakh and generates annual Cash inflows of ₹ 29.85 Lakh for five years. If the risk-free rate of discount is 10% and the premium for the normal risk of the Company is 3%, what is the maximum premium for abnormal risk that can be earned on this project (using IRR method)? [Given: PVIFA (13%, 5 yrs.) = 3.52, PVIFA (14%, 5 yrs.) = 3.43 and PVIFA (15%, 5 yrs.) = 3.35] (A) 0% (B) 2% (C) 4% (D) None of (A), (B) and (C) [2] | J24 Q1(i) · 2 m | |
| ★ | (iv) SANTIKA Project has a mean value of ₹ 11,700. The Management wants to determine the Probability of the NPV of the Project under different ranges. If the Standard Deviation (SD) of the Project is ₹ 6,000, what will be the Probability of NPV between ₹ 7,200 and ₹ 13,200? [Given: Area under Standard Normal Curve] \| \text{Z} = \text{0 to Z} \| 0.10 \| 0.25 \| 0.50 \| 0.60 \| 0.75 \| 1.00 \| 1.25 \| 1.50 \| \| \| Table Value \| 0.0398 \| 0.0987 \| 0.1915 \| 0.2257 \| 0.2734 \| 0.413 \| 0.3944 \| 0.4332 \| (Calculation up to two Decimal Points) (A) 17.47 % (B) 22.55 % (C) 37.21 % (D) None of the above [2] (v) Ms. RUD | J24 Q1(iv) · 2 m | |

**Problems to solve (24): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Practical problem: Pioneer Projects Ltd. is considering accepting one of two mutually exclusive… | SM M2 Illus. 2 · SM p.71 | J26 Q3(a) · D24 Q3(a) |
| ★★★ | Practical problem: A firm has an investment proposal, requiring an outlay of ₹40,000 | SM M2 Illus. 9 · SM p.78 | J23 Q3(a)(i) |
| ★★★ | Practical problem: A firm has an investment proposal, requiring an outlay of ₹80,000 | SM M2 Illus. 10 · SM p.79 | J23 Q3(a)(i) |
| ★★★ | Practical problem: Diamond industries is considering investment in specialized moulds which cost… | SM M2 exercise sum 1 · SM p.106 | D25 Q3(a) · J23 Q8(i) · J23 Q8(ii) |
| ★★ | Practical problem: A firm is considering a replacement investment | SM M2 Illus. 1 · SM p.71 | |
| ★★ | Practical problem: The cashflows of a project are perfectly correlated | SM M2 Illus. 3 · SM p.73 | |
| ★★ | Refer to the previous illustration, calculate the expected NPV and S.D of NPV assuming that… | SM M2 Illus. 4 · SM p.73 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: The information relating to cash flows and probabilities are given below | SM M2 Illus. 5 · SM p.74 | |
| ★★ | Practical problem: Consider the following information regarding two projects X and Y. (Figure in ₹) | SM M2 Illus. 6 · SM p.75 | |
| ★★ | Refer to our previous illustration no | SM M2 Illus. 7 · SM p.76 | |
| ★★ | Practical problem: A project has expected NPV value of ₹800 and S.D. of NPV of ₹400 | SM M2 Illus. 8 · SM p.76 | |
| ★★ | NPV at the risk-free rate and at a risk-adjusted discount rate; go ahead or not | Workbook ch.1 illustration 3 · WB p.2 | |
| ★★ | Certainty-equivalent NPV of a five-year project | Workbook ch.1 illustration 12 · WB p.11 | |
| ★★ | Certainty-equivalent NPV of two mutually exclusive projects | Workbook ch.1 illustration 13 · WB p.12 | |
| ★★ | Two projects: expected cash flow, variance, standard deviation and coefficient of variation | Workbook ch.2 illustration 2 · WB p.18 | |
| ★★ | Choose between two projects from expected NPV and standard deviation | Workbook ch.2 illustration 3 · WB p.19 | |
| ★★ | Expected monetary value of three actions; choose the best | Workbook ch.2 illustration 8 · WB p.26 | |
| ★★ | Probability of breaking even and of a minimum profit from a demand distribution | Workbook ch.2 illustration 9 · WB p.26 | |
| ★★ | Decision tree for a two-year project: expected NPV, worst and best outcomes and their chances | Workbook ch.2 illustration 12 · WB p.29 | |
| ★★ | Risk-adjusted discount rate from the coefficient of variation: NPV of three projects | Workbook ch.2 illustration 13 · WB p.31 | |
| ★★ | Expected NPV and probabilities of NPV ranges with the normal distribution | Workbook ch.2 illustration 14 · WB p.32 | |
| ★ | Practical problem: Calculate the Expected NPV and S.D (NPV) for the moderately correlated cash… | SM M2 exercise sum 2 · SM p.106 | |
| ★ | Practical problem: Rama Chemicals is considering an investment project | SM M2 exercise sum 3 · SM p.107 | |
| ★ | Practical problem: A company is trying to choose between two investment proposals A and B. Project… | SM M2 exercise sum 4 · SM p.107 | |

★ **SM exercise (if time):** M2 MCQ (not in the bank) 1 (p.103): If the cash flows over the life of the project are perfectly correlated, the Standard… · M2 short essay 1 (p.104): How will you distinguish certainty, uncertainty and risk · M2 short essay 2 (p.104): Certainty equivalent coefficient · M2 short essay 3 (p.104): Risk adjusted discount rate · M2 short essay 4 (p.104): Formulas for calculating the standard deviation of project cashflows in three different… · M2 essay 4 (p.105): How will you use Normal probability Distribution in capital budgeting · M2 MCQ (not in the bank) 3 (p.105): Practical problem: The following information is available with respect to Project X NPV Estimate… · M3 MCQ (not in the bank) 20 (p.139): Practical problem: There are 4 investments X Y Z U The Standard deviation is 37,947 44,497 42,163… · M8 MCQ (not in the bank) 41 (p.368): Practical problem: The following information of a project are given below

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q16, Q19

## 2.2 Sensitivity Analysis

SM pp. 83–84 · marks per attempt: **J26-2 · D25-2** · Dec'26 forecast: tier **B**, about **2** marks when it comes, chance it comes **75%** (MCQ (ii))

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★ | (ii) PRITAM Ltd., has provided you the following details of Project Z— [2] \| Project Cost \| ₹ 12,00,000 \| \| \| Project Life \| 4 Years \| \| Annual cash inflow \| ₹ 4,50,000 \| \| Cost of Capital \| 14 % \| [Given, \text{PVIFA }(14\%, 4\text{ Years}) = 2.9137; \text{PVIFA }(18\%, 4\text{ Years}) = 2.6667] What is the sensitivity of Annual Cash Flow of the Project Z? (A) 6.38\% (B) 7.26\% (C) 8.48\% (D) None of the above | D25 Q1(ii) · J26 Q1(ii) · MQP Q1(ii) · 2 m · asked in 2 papers | |

**Problems to solve (5): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: Given, Investment ₹1,00,000, Life 3 years, Annual Cash Inflows ₹2,00,000,... | SM M2 Illus. 11 · SM p.83 | |
| ★★ | Sensitivity of NPV to project cost, annual inflows and cost of capital | Workbook ch.2 illustration 1 · WB p.17 | |
| ★★ | Sensitivity of NPV to project cost, annual inflows and cost of capital (second set) | Workbook ch.2 illustration 4 · WB p.19 | |
| ★★ | Sensitivity: change in plant cost, running cost and savings that makes NPV zero | Workbook ch.2 illustration 5 · WB p.21 | |
| ★ | Practical problem: From the following project details calculate the sensitivity of the (a) Project... | SM M2 exercise sum 5 · SM p.107 | |

★ **SM exercise (if time):** M2 MCQ (not in the bank) 2 (p.103): Which of the following is/are not true regarding the risk adjusted investment appraisal... · M2 essay 1 (p.105): Sensitivity analysis used in capital budgeting · M2 solved case 1 (p.108): Pandey, I M

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q17, Q22, Q175

## 2.3 Scenario Analysis

SM pp. 85–86 · marks per attempt: **J24-7** · Dec'26 forecast: tier **B**, about **7** marks when it comes, chance it comes **20%** (Q3(a) rotation)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Best-case and worst-case scenario NPVs. [REPEAT+PRACTICE · J24 Q3(a); postal Q2(a)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Best-case and worst-case scenario NPVs | J24 Q3(a) · POSTAL Q2(a) · 7 m | similar problem: SM M2 Illus. 12 (SM p.85; solution there) |

**Problems to solve (3): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Practical problem: Spark Ltd. is a company that specializes in building tracks for high-speed... | SM M2 Illus. 12 · SM p.85 | J24 Q3(a) (similar) |
| ★★ | Pessimistic and optimistic budgets with uncertain contracts and a new product launch | Workbook ch.2 illustration 10 · WB p.27 | |
| ★★ | Worst, best and most likely case budgets | Workbook ch.2 illustration 11 · WB p.28 | |

★ **SM exercise (if time):** M2 short essay 5 (p.104): Scenario analysis different from sensitivity analysis · M2 essay 2 (p.105): Scenario analysis used in capital budgeting

## 2.4 Monte Carlo Simulation

SM pp. 87–102 · marks per attempt: **D24-7** · Dec'26 forecast: tier **B**, about **7** marks when it comes, chance it comes **15%** (Q3(a) rotation)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Monte Carlo simulation: assign random-number ranges, run the simulation, average NPV. [REPEAT · D24 Q3(a)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Monte Carlo: five simulation runs, average NPV | D24 Q3(a) · 7 m | same problem: SM M2 Illus. 2 (SM p.71; solution there) |

**Problems to solve (2): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Simulate ten days of sales with surplus and shortage costs | Workbook ch.2 illustration 7 · WB p.24 | J25 Q6(b) |
| ★★ | Monte Carlo simulation of ROI from random demand, contribution and investment | Workbook ch.2 illustration 6 · WB p.22 | |

★ **SM exercise (if time):** M2 MCQ (not in the bank) 3 (p.103): Coefficient of variation · M2 essay 3 (p.105): Monte Carlo Simulation used in capital budgeting

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q20, Q21, Q23, Q178

## 3.1 Lease Financing – Evaluation of Lease vs Buy Options

SM pp. 111–114 · marks per attempt: **D24-7 · D23-7** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **35%** (Q2(b) leasing sum)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Lease vs borrow-and-buy: PV of outflows under each (tax shields on rent, interest and depreciation); net advantage of leasing. [ROTATION · D23 Q2(b), D24 Q2(b) - not since Dec'24 (both December papers)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Buy (loan schedule) vs lease with revenue-share rent | D24 Q2(b) · 7 m · asked in 2 papers | |
| ★★★ | Finance lease vs borrow-and-buy a car: NPV of outflows, net advantage of leasing | D23 Q2(b) · 7 m · asked in 2 papers | |

**Problems to solve (11): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: Excel Transport needs a truck for which it is considering the following two... | SM M3 Illus. 1 · SM p.113 | |
| ★★ | Present value of lease rentals paid in arrears and in advance | Workbook ch.3 illustration 1 · WB p.35 | |
| ★★ | Loan repayment schedules: equal principal versus equal instalments | Workbook ch.3 illustration 3 · WB p.36 | |
| ★★ | Buy with a bank loan or lease: present value of costs after tax | Workbook ch.3 illustration 6 · WB p.40 | |
| ★★ | Lease with maintenance or buy with a loan: which is cheaper | Workbook ch.3 illustration 7 · WB p.40 | |
| ★★ | Borrow and buy or lease for three years: NPV of each | Workbook ch.3 illustration 8 · WB p.42 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Buy or lease a machine at a monthly rate per thousand: advise | Workbook ch.3 illustration 10 · WB p.44 | |
| ★ | Practical problem: A firm has the choice of buying a piece of equipment at a cost of ₹1,00,000... | SM M3 exercise sum 1 · SM p.142 | |
| ★ | Practical problem: PQR. Ltd. is considering the possibility of purchasing a multipurpose machine... | SM M3 exercise sum 2 · SM p.143 | |
| ★ | Practical problem: XYZ Ltd. is considering a proposal to acquire an equipment costing ₹5,00,000 | SM M3 exercise sum 3 · SM p.143 | |
| ★ | Practical problem: The FFM Ltd. is in the tax bracket of 35% and discounts its cash flows at 16% | SM M3 exercise sum 5 · SM p.144 | |

★ **SM exercise (if time):** M3 short essay 1 (p.142): Two major types of leases · M3 short essay 4 (p.142): Leveraged Lease Practical Problems Comprehensive Practical Problems

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q24, Q26, Q27, Q28, Q29, Q32

## 3.2 Break-Even Lease Rental Determination and Implicit Rate

SM pp. 115–121 · marks per attempt: **J26-7 · D25-7 · J25-7 · J24-7** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **70%** (Q2(b) leasing sum)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Lessor's side: the minimum / break-even lease rental, or structured rentals (stepped, deferred, ballooned, in a given ratio) that give the lessor a target return. [REPEAT+PRACTICE · J24, J25, D25, J26 Q2(b); MQP Q2(b) (= J26); postal Q2(b), Q3(a), Q3(b)]
2. Leveraged lease: the lender's instalment and the lessor's minimum lease rent. [PRACTICE · PTP Q2(b) - not yet in an exam]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Deferred and ballooned lease rentals (MQP Q2(b) with new numbers) | J26 Q2(b) · 7 m · asked in 2 papers | |
| ★★ | Lease rental that makes lease = loan (old 3.1; SM 3.2 break-even rental) | D25 Q2(b) · 7 m · asked in 2 papers | |
| ★★ | Lessor's rentals in the ratio 2:2:1:1 | J25 Q2(b) · MQP Q2(b) · POSTAL Q3(a) · 7 m · asked in 2 papers | |
| ★★ | Lessor's minimum lease rental (wet lease, inflating costs) | J24 Q2(b) · POSTAL Q2(b) · POSTAL Q3(b) · 7 m · asked in 2 papers | |
| ★ | Leveraged lease: lender's instalment, minimum lease rent | PTP Q2(b) · 7 m | |

**Problems to solve (9): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | BELR from the point of view of a lessee Excel Transport needs a truck for which it is... | SM M3 Illus. 2 · SM p.115 | |
| ★★ | BELR from the point of view of a lessor ABC finance, a leasing company, has been approached by... | SM M3 Illus. 3 · SM p.116 | |
| ★★ | BELR in case of Leveraged Lease P Ltd has taken a plant on lease, valued at ₹40 crore | SM M3 Illus. 4 · SM p.118 | |
| ★★ | Practical problem: The following data are furnished by the SIGMA LEASING LTD. (SLL) | SM M3 Illus. 5 · SM p.119 | |
| ★★ | Break-even lease rental against buying with a loan | Workbook ch.3 illustration 2 · WB p.35 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Lessor's rentals for a target return: stepped-up, stepped-down and ballooned | Workbook ch.3 illustration 4 · WB p.37 | |
| ★★ | Primary and secondary lease rentals under equal, stepped and ballooned structures | Workbook ch.3 illustration 5 · WB p.38 | |
| ★★ | Break-even lease rentals in a falling 4:3:2:1 pattern | Workbook ch.3 illustration 9 · WB p.43 | |
| ★ | Practical problem: Welsh Limited is faced with a decision to purchase or acquire on lease a mini... | SM M3 exercise sum 4 · SM p.143 | |

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q30, Q31, Q208, Q209, Q210, Q211

## 3.3 Cross Border Leasing, Sale and Lease Back

SM pp. 122–134 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **4** marks when it comes, chance it comes **10%** (Q8 theory (rare))

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Cross-border leasing | PTP Q8(c) · 4 m | |

★ **SM exercise (if time):** M3 solved case 1 (p.133): Practical problem: Alternative I: Purchase of Computer · M3 short essay 2 (p.142): Cross border leasing · M3 short essay 3 (p.142): Sale and Leaseback

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q3, Q25, Q33, Q207

## 4.1 Definition and Concept and Benefits of Securitization

SM pp. 147–149 · marks per attempt: **J25-4 · J24-2 · J23-6** · Dec'26 forecast: tier **B**, about **4** marks when it comes, chance it comes **40%** (Q8(c) list)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Why financial institutions securitise; features and benefits of securitisation (4 marks). [REPEAT · J25 Q8(c); J23 Q2(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | "A Financial Institution Securitizes part of its balance sheet for various reasons." — In this context identify and briefly explain the said main reasons. [4] | J25 Q8(c) · 4 m · asked in 3 papers | |
| ★★★ | Enumerate what are the features of Securitization. [6] | J23 Q2(b) · POSTAL Q1(vii) · 6 m · asked in 3 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xiii) The concept of securitization is associated with (A) Capital Market (B) Money Market (C) Debt Market (D) Foreign Exchange Market [2] | J24 Q1(xiii) · 2 m · asked in 3 papers | |

★ **SM exercise (if time):** M4 essay 1 (p.158): Advantages of Securitization from the viewpoint of a bank · M4 essay 2 (p.158): Advantages of Securitization from the viewpoint of investors

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q34, Q35, Q38

## 4.2 Participants in Securitization

SM pp. 150–150 · marks per attempt: **J26-6 · D23-4** · Dec'26 forecast: tier **B**, about **4** marks when it comes, chance it comes **55%** (Q8(c) list + MCQ (iv))

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★ | □8. (c) "Securitization involves multiple participants working together to convert financial assets into tradable securities." – In this context, allign the parties involved in a securitization process. (Any Four) [4] | D23 Q8(c) · J26 Q8(c) · MQP Q1(iv) · MQP Q8(c) · 4 m · asked in 2 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★ | (iv) Omega Bank Ltd., plans to securitize its pool of housing loans to improve liquidity. The bank transfers these assets to a separate entity that issues securities to investors and isolates risk from the originator. What is the role of this entity? [2] (A) Underwriter (B) Depository Participant (C) Mutual Fund Trustee (D) Special Purpose Vehicle (SPV) | J26 Q1(iv) · 2 m · asked in 2 papers | |

★ **SM exercise (if time):** M4 short essay 1 (p.157): Name the parties associated with securitization

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q36, Q37, Q39

## 4.3 Mechanism and Problems of Securitization

SM pp. 151–153 · marks per attempt: **D24-4** · Dec'26 forecast: tier **B**, about **4** marks when it comes, chance it comes **30%** (Q8(c) list)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Limitations / problems of securitisation (4 marks). [ROTATION · D24 Q8(c) - the only part not repeated yet]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | "In spite of its widely recognized benefits, securitization has a few limitations as well". In this context summarize those limitations. *(Any Four)* [4 Marks] | D24 Q8(c) · 4 m | |

★ **SM exercise (if time):** M4 short essay 3 (p.157): Basic mechanism of Securitization · M4 essay 3 (p.158): Steps in Securitization

## 4.4 Securitization Instruments

SM pp. 154–155 · marks per attempt: **D25-6 · J24-4** · Dec'26 forecast: tier **B**, about **4** marks when it comes, chance it comes **45%** (Q8(c) list + MCQ (iv))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Securities issued by the SPV: pass-through, pay-through, preferred stock certificates (4 marks). [REPEAT · J24, D25 Q8(c)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★ | □8. (c) "In a Securitization Transaction, different types of Securities are structured and issued to Investors, depending on their risk-return preferences."— In this Context, briefly analyze the different types of Securities issued by the Special Purpose Vehicle (SPV) in Securitization Transactions (any four). [4] | J24 Q8(c) · D25 Q8(c) · PTP Q1(iv) · 4 m · asked in 2 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★ | (iv) Under "Securitization process", ____ are instruments which are issued by a subsidiary company in respect of receivable of holding or parent company. [2] (A) Pass through Certificates (B) Pay through Certificates (C) Preferred Stock Certificates (D) None of the above | D25 Q1(iv) · 2 m · asked in 2 papers | |

★ **SM exercise (if time):** M4 MCQ (not in the bank) 4 (p.156): Under "securitisation process", ____ are instruments which issued subsidiary company… · M4 MCQ (not in the bank) 5 (p.156): Under "securitisation process", original borrower is known as; · M4 short essay 2 (p.157): Name the different type of securities issued by an SPV under securitization · M4 short essay 4 (p.158): Pass Through Certificates · M4 short essay 5 (p.158): Pay Through Certificates · M4 short essay 6 (p.158): Preferred Stock Certificates Essay type Questions · M4 essay 4 (p.158): Various certificates issued by the SPV in securitization · M4 essay 5 (p.158): Assets Backed Securities and Mortgage-Backed Securities

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q40

## 5.1 Fundamental Analysis

SM pp. 163–178 · marks per attempt: **D23-2** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **20%** (MCQ)

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | (xi) In Porter's structural analysis, which of the following is not considered as an entry barrier? (A) Product differentiation (B) Switching costs (C) Capital requirements (D) Low value addition [2 Marks] | D23 Q1(xi) · POSTAL Q1(x) · 2 m | |
| ★ | DFL = EPS vs EBIT (an Inter-level topic, not in this SM) | PTP Q1(v) · 2 m | |
| ★ | DCL = EPS vs sales (an Inter-level topic) | POSTAL Q1(v) · 2 m | |

**Problems to solve (2): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: From the balance sheet of India Trading Company Limited as at 31st March, 2024,... | SM M5 Illus. 1 · SM p.175 | |
| ★★ | Practical problem: From the following Trial Balance for the year ending 31 March 2023 and other... | SM M5 Illus. 2 · SM p.177 | |

★ **SM exercise (if time):** M5 MCQ (not in the bank) 1 (p.191): The price-earnings ratio of a stock reflects the · M5 MCQ (not in the bank) 2 (p.191): The growth in book value per share shows the · M5 MCQ (not in the bank) 3 (p.191): Which of the following is not a component of ROE analysis · M5 MCQ (not in the bank) 5 (p.191): An industry in the growth stage of its life cycle is indicated by · M5 MCQ (not in the bank) 6 (p.192): Degree of financial leverage (DFL) expresses the relationship between · M5 MCQ (not in the bank) 7 (p.192): Liquidity of a company generally measures · M5 MCQ (not in the bank) 8 (p.192): A common stock ratio · M5 MCQ (not in the bank) 9 (p.192): An industry may have short life due to point of view · M5 MCQ (not in the bank) 10 (p.192): Competition in an industry is generally affected by the · M5 MCQ (not in the bank) 11 (p.192): High growth rates in earnings and market share are characteristics of companies which are in... · M5 MCQ (not in the bank) 12 (p.193): Companies in maturity stage are characterized by · M5 MCQ (not in the bank) 13 (p.193): Which of the following can be classified as a lag indicator of economic growth · M5 MCQ (not in the bank) 14 (p.193): In Porter's structural analysis, which of the following is not considered as an entry barrier · M5 MCQ (not in the bank) 15 (p.193): According to Porter's model, the rivalry among existing competitors will be high if · M5 MCQ (not in the bank) 16 (p.193): A business division with high growth but low relative market share is referred to as · M5 MCQ (not in the bank) 17 (p.194): An industry in the expansion stage of its life cycle in indicated by · M5 short essay 3 (p.196): Problems related to fundaments analysis that are considered advantages for techniques analysis · M5 short essay 15 (p.197): Basic investment objectives · M5 short essay 16 (p.197): Qualitative and quantitative factors in company analysis · M5 essay 17 (p.197): Tools used in fundamental analysis · M5 essay 18 (p.197): Macro-economic factors in economic analysis · M5 essay 19 (p.197): Different stages of industry life cycle and describe how it affects the sales, growth and... · M5 essay 20 (p.197): Porter's concept of competitive strategy · M5 essay 21 (p.197): Factors considered in company analysis

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q41, Q42, Q43, Q44, Q45, Q46, Q47, Q48, Q49, Q50, Q53, Q55

## 5.2 Technical Analysis

SM pp. 179–190 · marks per attempt: **J26-2 · D25-2 · J25-4 · D24-4** · Dec'26 forecast: tier **B**, about **2** marks when it comes, chance it comes **85%** (MCQ (v))

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (v) The prices of the Stock of RIBON Ltd., in the Market are given below: [2] \| Date \| Price (₹) \| \| \| 1st April \| 450 \| \| 4th April \| 456 \| \| 7th April \| 478 \| \| 8th April \| 476 \| \| 9th April \| 479 \| \| 10th April \| 468 \| What would be the Relative Strength Index (RSI) of the Stock of RIBON LTD.? (A) 70.41 (B) 60.32 (C) 48.72 (D) None of the above | J26 Q1(v) · 2 m · asked in 4 papers | |
| ★★★ | (v) In a 100-day stochastic analysis, if the closing price is ₹ 210, the 100-day low and high prices are ₹ 200 and ₹ 240 respectively, then stochastic (%K) will be equal to [2] (A) 25 % (B) 16 % (C) 12 % (D) None of the above | D24 Q1(v) · D25 Q1(v) · MQP Q1(v) · 2 m · asked in 4 papers | |
| ★★★ | (vi) A buy signal provided by moving average analysis of Stock price is when the stock price line (A) falls below a rising moving average line. (B) rises above a falling moving average line. (C) falls below a flattening moving average line. (D) falls below a falling moving average line. [2] | J25 Q1(vi) · 2 m · asked in 4 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xiii) Closing prices of the Stock of MONX Ltd., is given below: \| Day \| Closing Price (₹) \| \| \| 1 \| 125.45 \| \| 2 \| 135.25 \| \| 3 \| 132.75 \| \| 4 \| 142.75 \| \| 5 \| 145.25 \| What would be the relative strength of the Stock of MONX. Ltd.? (A) 0.9875 (B) 1.0255 (C) 1.0628 (D) 1.1185 [2] | J25 Q1(xiii) · 2 m · asked in 4 papers | |
| ★★★ | (xiv) In a 100 days stochastic analysis, if the closing price is ₹ 160.50 and the 100 days low and high prices are ₹ 145.20 and ₹ 190 respectively, then stochastic (% K) will be equal to (A) 34.15 % (B) 30.75 % (C) 22.87 % (D) Insufficient information [2 Marks] | D24 Q1(xiv) · 2 m · asked in 4 papers | |
| ★ | Why a falling market is called a bear market | POSTAL Q1(i) · 2 m | |

★ **SM exercise (if time):** M5 MCQ (not in the bank) 19 (p.194): The declining market is called 'bear market' because of the · M5 MCQ (not in the bank) 20 (p.194): Dow theory was developed to explain the · M5 MCQ (not in the bank) 21 (p.194): According to stock market psychology · M5 MCQ (not in the bank) 22 (p.194): Violation of a trend line means Introduction · M5 MCQ (not in the bank) 23 (p.195): The chartist believes that charts · M5 MCQ (not in the bank) 24 (p.195): The stock price in the stock market State True or False · M5 short essay 1 (p.196): Technical Analysts believe that one can use past price changes to predict future price changes · M5 short essay 2 (p.196): Technicians contend that stock prices move in trends that persist for long periods of time · M5 short essay 4 (p.196): Some disadvantages of Technical Analysis · M5 short essay 5 (p.196): Dow Theory and its three components · M5 short essay 6 (p.196): Most technicians follow several technical rules and attempt to derive a consensus · M5 short essay 7 (p.196): Some disadvantages of technical analysis · M5 short essay 8 (p.196): If the mutual fund cash position were to increase close to 10 percent, would a technician… · M5 short essay 9 (p.196): Assume a significant decline in credit balances at brokerage firms · M5 short essay 10 (p.196): If the bearish sentiment index of advisory service opinions were to increase to 61 percent,… · M5 short essay 11 (p.196): Purpose of computing a moving-average line for a stock · M5 short essay 12 (p.197): Assuming a stock price and volume chart that also contains a 50-day and a 200-day MA line,… · M5 short essay 13 (p.197): How you would construct a relative-strength ratio for an individual stock or an industry group · M5 short essay 14 (p.197): Most technicians follow several technical rules and attempt to derive a consensus · M5 essay 1 (p.197): Technical analysis is based on certain assumptions · M5 essay 2 (p.197): In detail the Dow Theory and how is it used to determine the direction of the stock market · M5 essay 3 (p.197): Do stock prices have support level and resistance level · M5 essay 4 (p.197): A bar chart · M5 essay 5 (p.197): Features of a point and figure chart · M5 essay 6 (p.197): Significance of gaps and head and shoulder patterns in the chart · M5 essay 7 (p.197): You use a candlestick chart to predict the stock price movement · M5 essay 8 (p.197): Cup and handle and rounded bottom patterns · M5 essay 9 (p.197): Concept of Elliott wave theory · M5 essay 10 (p.197): Basic premises of technical analysis · M5 essay 11 (p.197): Differences between technical analysis and fundamental analysis · M5 essay 12 (p.197): Basic concepts underlying chart analysis · M5 essay 13 (p.197): Dow Theory · M5 essay 14 (p.197): A bar chart · M5 essay 15 (p.197): Important technical formations on bar and line charts and the indications provided by them · M5 essay 16 (p.197): Techniques of moving average analysis · M5 MCQ (not in the bank) 3 (p.198): It was observed that in a certain month, 6 out of 10 leading indicators and moved up as… · M8 MCQ (not in the bank) 52 (p.371): A buy signal provided by moving average analysis of stock prices is when the stockprice line

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q52, Q54

## 6.1 Equity Valuation - Discounted Cash Flow Based Valuation, Relative Valuation using Multiples and Weights

SM pp. 201–209 · marks per attempt: **J26-7 · D25-7 · J25-9 · D24-9 · J24-9 · D23-9** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **99%** (Q3(b) DDM sum + MCQ)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Multi-stage DDM: value the share with high growth for some years then stable growth (g = ROE x retention, or from margin x turnover x leverage); compare with the market price / value by P/E. [REPEAT+PRACTICE · In all 6 papers; MQP Q3(b) three-stage + P/E; PTP Q3(b) = J25 Q3(b) word for word]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Two-stage DDM with g = ROE x b; price from P/E | J26 Q3(b) · 7 m · asked in 6 papers | |
| ★★★ | DDM with 12%, 10%, then g = ROE x b; over/undervalued | D25 Q3(b) · 7 m · asked in 6 papers | |
| ★★★ | Multi-stage DDM backwards: stable growth rate; worth buying? | J25 Q3(b) · 7 m · asked in 6 papers | |
| ★★★ | Two-stage DDM, growth from ROE (margin x turnover x leverage), CAPM rate | D24 Q3(b) · 7 m · asked in 6 papers | |
| ★★★ | Three-phase model (growth falls linearly) | J24 Q3(b) · 7 m · asked in 6 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Three-stage dividend growth (18%, 12%, 6%) | D23 Q3(b) · MQP Q3(b) · PTP Q3(b) · 7 m · asked in 6 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (ii) ZOM Ltd's share is currently traded for ₹ 80 per share. It is expected that a dividend of ₹ 4 per share after one year will grow at 8% indefinitely. What is the expected return? (A) 8% (B) 13% (C) 5% (D) 80% [2] | J25 Q1(ii) · 2 m · asked in 4 papers | same problem: SM M6 Illus. 7 (SM p.206; solution there) |
| ★★★ | (ii) MON Ltd. is expected to grow at the rate of 8 % per annum, which currently pay ₹ 10 as dividend. For investment at the risk level, investor requires a return of 15 % a year. What is the estimated value of the stock? (A) ₹ 10.50 (B) ₹ 154.29 (C) ₹ 166.61 (D) None of the above [2 Marks] --- (iii) The spot and 6 months forward rates of £ in relation to the rupee (₹ / £) are ₹ 77.9542 / 78.1255 and ₹ 78.8550 / 9650 respectively. What will be annualized forward margin (Premium with respect to Ask Price)? (A) 2.31 % (B) 1.80 % (C) 2.15 % (D) None of the above [2 Marks] --- (iv) MS RUANA, a Portfolio Manager realized an Average Annual return of 15 %. The Beta of the Por | D24 Q1(ii) · 2 m · asked in 4 papers | similar problem: SM M6 Illus. 2 (SM p.202; solution there) |
| ★★★ | (ii) EZAN Ltd. has an ROE of 18% and a ploughback ratio of 50%. The Market Capitalization rate is 13%. If the Coming year's earnings are expected to be ₹ 4 per share, at what price EZAN's share should sell in 3 years? (A) ₹ 75.10 (B) ₹ 64.75 (C) ₹ 60.50 (D) None of the above [2] (iii) The expected return of a Portfolio ZON is 15%, and Variance of return is 280(\%)^2. If the investor's tolerance is 70, what will be the investor's utility? (A) 15% (B) 11% (C) 4% (D) Insufficient information [2] | J24 Q1(ii) · 2 m · asked in 4 papers | |
| ★★★ | (ii) ABON Ltd.'s earning per share is ₹ 15 and growth rate of earning is 5%. The earnings growth rate is expected to stay at this level in the near future. If its payout ratio is 50% and costs of capital is 15%, what will be the market price of the share after three years? (Calculation upto two decimal places) (A) ₹ 95.50 (B) ₹ 91.16 (C) ₹ 90.20 (D) None of the above [2 Marks] | D23 Q1(ii) · 2 m · asked in 4 papers | |

**Problems to solve (14): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Practical problem: MN Limited is expected to grow at the rate of 8% per annum, which currently… | SM M6 Illus. 2 · SM p.202 | D24 Q1(ii) (similar) |
| ★★★ | Practical problem: A company's share is currently traded for ₹80 per share | SM M6 Illus. 7 · SM p.206 | J25 Q1(ii) |
| ★★★ | Maximum share price from FCFE with five years of high growth then stable growth | Workbook ch.1 illustration 15 · WB p.15 | J24 Q2(a) · J26 Q2(a) |
| ★★ | India Incorporated currently pays a dividend of ₹10 per share and it will be constant during… | SM M6 Illus. 1 · SM p.202 | |
| ★★ | Estimated present value of stock (V1) of India Incorporated is ₹154.29 at the end of first… | SM M6 Illus. 3 · SM p.202 | |
| ★★ | Other things being constant, only k is considered 16% instead of 15% above in previous… | SM M6 Illus. 4 · SM p.203 | |
| ★★ | Other things being constant as in Illustration 4, growth rate is considered 9% instead of 8%,… | SM M6 Illus. 5 · SM p.203 | |
| ★★ | Consider the equity share of India Incorporated D0 = Current dividend per share ₹3.00 n =… | SM M6 Illus. 6 · SM p.205 | |
| ★★ | For the first four years, India Incorporated is assumed to grow at a rate of 10% | SM M6 Illus. 8 · SM p.207 | |
| ★★ | Value a company from forecast cash flows and a growing perpetuity; value per share against a bid | Workbook ch.1 illustration 8 · WB p.6 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Share price after one year with constant dividend growth | Workbook ch.4 illustration 1 · WB p.46 | |
| ★★ | Share value with three growth stages (high, falling, perpetual) | Workbook ch.4 illustration 5 · WB p.47 | |
| ★★ | Justified P/E ratio and the growth rate implied by the market P/E | Workbook ch.4 illustration 6 · WB p.48 | |
| ★★ | Rights issue: ex-rights price, value of a right and effect on a shareholder | Workbook ch.4 illustration 9 · WB p.50 | |

★ **SM exercise (if time):** M6 MCQ (not in the bank) 9 (p.230): The constant growth dividend discount model will not produce a finite value for a stock if the… · M6 MCQ (not in the bank) 10 (p.230): Which among the following is/are the determination of price - earnings ratio · M6 short essay 1 (p.231): Under what conditions will it be ideal to use one or several of the relative valuation ratios… · M6 short essay 2 (p.231): A scenario where it would be appropriate to use one of the present value of cash flow… · M6 short essay 3 (p.231): Is the required rate of return for a stock, the discount rate to be used in valuation analysis · M6 short essay 4 (p.231): In what circumstances would you choose to use a dividend discount model rather than a free… · M6 short essay 5 (p.231): In what circumstances is it important to use multistage DDMs rather than constant growth models · M6 short essay 6 (p.231): If a security underpriced (i.e., intrinsic value > market price), then what is the… · M6 short essay 7 (p.231): What problems are encountered in using the dividend discount model · M6 essay 1 (p.231): In what circumstances would you choose to use a dividend discount model rather than a free… · M6 essay 2 (p.231): In what circumstances is it important to use multistage DDMs rather than constant growth models · M6 essay 3 (p.231): If a security is underpriced (i.e. intrinsic value > market price), then what is the… · M6 essay 4 (p.231): Two valuation approaches (present value of cash flows and the relative valuation ratios) are… · M6 essay 5 (p.231): Impact of growth on price, returns and P/E ratio · M6 essay 7 (p.232): Under what conditions will it be ideal to use one or several of the relative valuation ratios… · M6 essay 8 (p.232): A scenario where it would be appropriate to use one of the present value of cash flow… · M6 essay 9 (p.232): Two valuation approaches (present value of cash flows and the relative valuation ratios) are… · M6 essay 12 (p.232): Dividend discount model · M6 essay 13 (p.232): Constant growth model · M6 essay 14 (p.232): Two-stage growth model · M6 essay 15 (p.232): Key determinants of price-earnings multiple · M6 MCQ (not in the bank) 9 (p.233): Practical problem: Mr. X expects 20% return from his investment · M6 MCQ (not in the bank) 10 (p.233): Practical problem: A stock of ₹10 face value has declared 35% dividend for the current year · M6 solved case 1 (p.234): Chandra

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q56, Q57, Q66, Q68, Q70

## 6.2 Bond Valuation - Prices & Yields

SM pp. 210–228 · marks per attempt: **J26-9 · D25-9 · J25-9 · D24-7 · J24-7 · D23-7 · J23-8** · Dec'26 forecast: tier **A**, about **9** marks when it comes, chance it comes **98%** (Q4(a) bond sum + MCQ (vi))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Bond valuation: intrinsic value against the market price, YTM, a callable / puttable or zero-coupon bond. [REPEAT+PRACTICE · D25, J25, J26 Q4(a); MQP Q4(a) (= J26, same PV table); PTP Q4(a) = J25 Q4(a)]
2. Convertible bond: straight value, conversion value, conversion premium, downside risk, parity price. [REPEAT · D23, J24, D24 Q4(a); J23 Q4(a) - not since Dec'24]
3. Duration and volatility of a bond; price after a change of +/- basis points. [REPEAT · D25 Q4(a)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Bond intrinsic value vs market price (MQP Q4(a), same PV table) | J26 Q4(a) · 7 m · asked in 3 papers | |
| ★★★ | Bond price, duration, volatility, price after +100/-75 bp | D25 Q4(a) · 7 m | same problem: Workbook ch.4 illustration 10 (WB p.51; solution there) |
| ★★★ | Zero-coupon bond with tiered yields and embedded call/put | J25 Q4(a) · 7 m · asked in 3 papers | |
| ★★★ | Convertible bond (semi-annual): redemption value, conversion value, option value | D24 Q4(a) · 7 m · asked in 4 papers | |
| ★★★ | Convertible debenture: conversion value, premium, income differential | J24 Q4(a) · 7 m · asked in 4 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Convertible bond backwards: shares on conversion, share price, straight value | D23 Q4(a) · 7 m · asked in 4 papers | |
| ★★★ | Convertible bond: straight value; Conversion value; Conversion premium; Percentage downside risk; Conversion parity price | J23 Q4(a)(i)(ii)(iii)(iv)(v) · 8 m · asked in 4 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (vi) XYZ Ltd., issued highly rated bond in the market with face value of ₹ 100 carrying coupon rate of 14\% p.a. which matures after five years. Interest is payable semi-annually. If Mr. Xavier, an investor, requires a return of 16\% p.a., what will be the value of Bond if it holds at Maturity? [2] [Given, \text{PVIFA }(8\%, 10\text{ Years}) = 6.710 and \text{PVIF }(8\%, 10\text{ Years}) = 0.463] (A) ₹ 93.27 (B) ₹ 94.39 (C) ₹ 95.57 (D) None of the above | J26 Q1(vi) · 2 m · asked in 3 papers | |
| ★★★ | (vi) ARON Ltd. has 1 million AAA rated 12% bonds outstanding, maturity in 7 years from now. If the market interest rate is 14 %, the price of the bond (Face value ₹ 100 and Coupons are payable annually) is ____. [Given : PVIFA (14% 7yrs.) = 4.288, PVIFA (12% 7 yrs.) = 4.564, PVIF (14% 7 yrs) = 0.400, PVIF (12% 7 yrs) = 0.452] [2] (A) ₹ 90.00 (B) ₹ 91.46 (C) ₹ 93.00 (D) None of the above (vii) MS. SAKALI, a prospective investor, has collected the following information pertaining to two securities as under: \| Security \| Return (%) \| Standard Deviation (%) \| \| \| Gilt – edged Security \| 7 \| 0 \| \| Equity \| 25 \| 30 \| Using the above two securit | D25 Q1(vi) · 2 m · asked in 3 papers | |
| ★★★ | (iv) A bond of RIZO Ltd., with a face value of ₹ 1000 provides 12% annual return and pays ₹ 1050 at the time of maturity, which is 10 years from now. If the investor required rate of return is 13%, at which price should the company issue the bond? (A) ₹ 309.75 (B) ₹ 651.12 (C) ₹ 960.87 (D) ₹ 970.00 [2] | J25 Q1(iv) · MQP Q1(vi) · MQP Q4(a) · PTP Q1(vi) · PTP Q4(a) · 2 m · asked in 3 papers | |

**Problems to solve (13): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Bond price, duration, volatility and price after a yield rise | Workbook ch.4 illustration 10 · WB p.51 | D25 Q4(a) |
| ★★ | Calculate the value of an asset if the annual cash flow is ₹3,000 per year for the next 7… | SM M6 Illus. 9 · SM p.212 | |
| ★★ | Consider a 10 year, 12% coupon bond with a par value of ₹10,000 | SM M6 Illus. 10 · SM p.213 | |
| ★★ | Consider the case where an investor purchases a bond whose face value is ₹1,000, maturity… | SM M6 Illus. 11 · SM p.214 | |
| ★★ | Consider an 8 year, 12% coupon bond with a par value of ₹ 1,000 on which interest is payable… | SM M6 Illus. 12 · SM p.214 | |
| ★★ | Semi-annual payment of interest on bond 'A' of ₹1,000 value carries a coupon rate of 10% and a… | SM M6 Illus. 13 · SM p.214 | |
| ★★ | Consider a ₹1,000 par value bond whose current market price is ₹850 | SM M6 Illus. 14 · SM p.216 | |
| ★★ | Practical problem: Suppose the 8% coupon, 20-year maturity bond sells for ₹1,120 and is callable… | SM M6 Illus. 15 · SM p.217 | |
| ★★ | Present value of a bond redeemed at a premium | Workbook ch.4 illustration 2 · WB p.46 | |
| ★★ | Maximum price for a bond and its yield at a given market price | Workbook ch.4 illustration 3 · WB p.46 | |
| ★★ | Convertible bond: premium over conversion value | Workbook ch.4 illustration 4 · WB p.47 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Years to maturity of a premium-redeemable bond from its yield | Workbook ch.4 illustration 7 · WB p.49 | |
| ★★ | Effective annual yield of a treasury bill and a semi-annual coupon bond | Workbook ch.4 illustration 8 · WB p.49 | |

★ **SM exercise (if time):** M6 MCQ (not in the bank) 3 (p.229): Coupon yield of the bond is · M6 MCQ (not in the bank) 4 (p.229): Yield to maturity is same as · M6 MCQ (not in the bank) 6 (p.229): If a bondholder is to receive the stated yield to maturity, he has to invest the interim cash… · M6 MCQ (not in the bank) 7 (p.229): The definition "the promised compounded rate of return an investor will receive from a bond… · M6 MCQ (not in the bank) 8 (p.230): Bond volatility is inversely related to · M6 essay 6 (p.232): Types of bond · M6 essay 10 (p.232): Do bond prices go down when interest rates go up · M6 essay 11 (p.232): Does lenders like high interest rates · M6 MCQ (not in the bank) 1 (p.232): All other things being equal, which one of the following bonds will have the maximum volatility · M6 MCQ (not in the bank) 3 (p.232): If the YTM on a one-year GOI bond and a two-year GOI bonds are 7.97% and 8.86%, respectively… · M6 MCQ (not in the bank) 6 (p.233): Practical problem: A bond with a par value of ₹1,000 has a 6% annual coupon rate · M6 MCQ (not in the bank) 7 (p.233): Practical problem: A semi-annual coupon bond is currently selling for ₹1,142.12 · M6 MCQ (not in the bank) 8 (p.233): Practical problem: One year ago, you purchased an annual coupon bond for ₹817.84 · M8 MCQ (not in the bank) 32 (p.366): Practical problem: A ₹ 1,000 per value bond bearing a coupon rate of 14% matures after 5 years · M15 MCQ (not in the bank) (list 2) 27 (p.678): Practical problem: The price of a bond just before a year of maturity is 10,000

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q58, Q59, Q60, Q61, Q62, Q63, Q64, Q65, Q67, Q69, Q71, Q72, Q73, Q213

## 7.1 Meaning, Advantages and Disvantages, Structure and Types

SM pp. 237–246 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (MCQ)

★ **SM exercise (if time):** M7 MCQ (not in the bank) 7 (p.288): Following is/are the advantages of investing in mutual funds · M7 MCQ (not in the bank) 9 (p.288): Which of the following is not an advantage of mutual funds · M7 MCQ (not in the bank) 12 (p.289): Which of the following is an advantage to investors of exchange traded funds (ETFs) that is… · M7 short essay 1 (p.292): Key differences between close-ended and open-ended schemes · M7 short essay 2 (p.292): A fund-of-fund scheme · M7 short essay 3 (p.292): Systematic withdrawal plan and systematic investment plan · M7 essay 1 (p.293): A mutual fund and state its advantages and disadvantages in brief · M7 essay 2 (p.293): Role of various entities in a mutual fund operation · M7 essay 3 (p.293): Different types of schemes in a mutual fund · M7 MCQ (not in the bank) 8 (p.295): On average, actively managed mutual funds have an expenses ratio of about

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q78, Q80, Q81, Q82, Q235, Q236, Q237, Q238

## 7.2 Regulations

SM pp. 247–253 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (MCQ)

★ **SM exercise (if time):** M7 MCQ (not in the bank) 3 (p.287): The functions of the trustees is/are · M7 MCQ (not in the bank) 5 (p.288): The function(s) of AMC is/are · M7 essay 5 (p.293): Restrictions and conditions for investments by mutual funds · M7 essay 7 (p.293): Rights and obligations of mutual fund investors

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q76, Q77, Q86, Q88

## 7.3 Computation of NAV

SM pp. 254–257 · marks per attempt: **D25-7 · J25-7 · D24-2 · J24-2 · D23-9 · J23-4** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **70%** (Q4(b) fund sum)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. NAV of an open-ended fund with entry/exit loads and dividend equalisation; or NAV from sector indices with dividends and bonus; annualised return. [PRACTICE+REPEAT · MQP Q4(b) - unused; D23 + D25 Q4(b) NAV (every December had a fund NAV sum)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | NAV from sector indices and unlisted bonds; annualised return with dividends | D25 Q4(b) · 7 m · asked in 3 papers | |
| ★★★ | New fund offer: NAV with dividends, bonus, expenses; annualised return | D23 Q4(b) · 7 m · asked in 3 papers | |
| ★★★ | Three MFs: number of units; Total NAV | J23 Q4(b)(i)(ii) · 4 m · asked in 3 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xii) Consider the following parameters of JMB Mutual Fund (Income Plan): \| Particulars \| (₹ In Lakh) \| \| \| Value of Investments \| 4169.04 \| \| Receivables \| 325.76 \| \| Accrued Income \| 95.48 \| \| Other Current Assets \| 962.68 \| \| Liabilities \| 977.12 \| \| Accrued Expenses \| 225.84 \| \| Number of units outstanding \| 300 Lakh \| \| Entry Load (%) \| 3 % \| Mr. KUAS wants to purchase units of this scheme. The per unit price he will pay would be (A) ₹ 15.10 (B) ₹ 14.95 (C) ₹ 14.50 (D) None of the above [2 Marks] --- (xiii) The Sharpe ratio and Treynor ratio of SONTA Equity Fund are 0.37 and 4.16 respectively. The risk premium on the Fund is 6%. Standard deviation of the Fun | D24 Q1(xii) · 2 m · asked in 3 papers | |
| ★★★ | (v) Ms. RUDRA on 1st August, 2023 during initial offer of AB Mutual Fund, invested in 10000 units having face value of ₹ 10 for each unit. On 31st March, 2024, dividend declared and given by AB Mutual Fund was 10%, and Ms. RUDRA found that her annualized yield was 150%. What is the NAV as on 31.03.2024? (A) ₹ 21 (B) ₹ 19 (C) ₹ 15 (D) None of the above [2] | J24 Q1(v) · 2 m · asked in 3 papers | |
| ★★★ | (iv) The following particulars relate to a mutual fund scheme: \| Sector \| Investment in shares (at cost) ₹ lakh \| Index on Purchase date \| Index on Valuation date \| \| \| IT and ITES \| 28 \| 1,750 \| 2,950 \| \| Infrastructure \| 15 \| 1,375 \| 2,475 \| The outstanding number of units is 1.25 lakhs. What will be the Net Asset Value (NAV) per unit? (A) ₹ 59.36 (B) ₹ 55.30 (C) ₹ 54.31 (D) ₹ 53.29 [2 Marks] | D23 Q1(iv) · MQP Q4(b) · POSTAL Q6(b) · 2 m · asked in 3 papers | |

**Problems to solve (9): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Calculate the NAV of Excellent Fund from the following data: Size of the fund, ₹300 crore | SM M7 Illus. 1 · SM p.255 | |
| ★★ | A mutual fund has a net asset value of ₹50 at the beginning of the year | SM M7 Illus. 2 · SM p.255 | |
| ★★ | Practical problem: Mr. Ajay on 1.7.2020, during the initial offer of some Mutual Fund invested in… | SM M7 Illus. 3 · SM p.256 | |
| ★★ | Practical problem: Name of the Scheme ABC Size of the Scheme ₹100 lakhs Face Value of the Share… | SM M7 Illus. 4 · SM p.257 | |
| ★★ | Front-end and back-end loads from base, sale and repurchase prices | Workbook ch.5 illustration 4 · WB p.54 | |
| ★★ | NAV per unit from scheme assets and liabilities | Workbook ch.5 illustration 5 · WB p.54 | |
| ★★ | NAV of an equity fund and the sale price with a front-end load | Workbook ch.5 illustration 8 · WB p.55 | |
| ★★ | Daily NAV after valuation changes, expenses and redemptions | Workbook ch.5 illustration 9 · WB p.56 | |
| ★★ | Work back NAVs from dividends, reinvested units and annualised returns | Workbook ch.5 illustration 11 · WB p.57 | |

★ **SM exercise (if time):** M7 MCQ (not in the bank) 13 (p.289): Practical problem: An investor has invested in a mutual fund when the NAV was ₹ 15.50 per unit · M7 MCQ (not in the bank) 17 (p.290): The market price (ex-dividend) of a unit of an open-ended mutual fund scheme was ₹30 at the… · M7 short essay 4 (p.292): Net asset value of a mutual fund · M7 short essay 5 (p.292): Tax aspects of a mutual fund investment · M7 MCQ (not in the bank) 2 (p.293): If a mutual fund NAV is 50 and its expense ratio is 2% what are the total expenses per share · M7 MCQ (not in the bank) 3 (p.294): You invested 1,000 in a mutual fund with a 4% load when NAV was 20 per share · M7 MCQ (not in the bank) 4 (p.294): A mutual fund has a beginning balance of 100 million earns interest of 10 million, receives… · M7 MCQ (not in the bank) 5 (p.294): A scheme has average weekly net assets of ₹ 324 Cr and has annual expenses of ₹ 3.24Cr, it's… · M7 MCQ (not in the bank) 6 (p.294): If a scheme has 45 Cr units issued and has an FV of ₹10 and NAV is at 11.33, unit capital (₹…

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q75, Q79, Q83, Q85, Q87, Q182, Q185, Q186, Q234, Q239

## 7.4 Evaluation of Performance and Movements in Security Values and NAVs of Mutual Funds for Investment Decisions: Perspective of AUM Managers and Individual Investors

SM pp. 258–264 · marks per attempt: **D24-7 · J23-6** · Dec'26 forecast: tier **B**, about **7** marks when it comes, chance it comes **40%** (Q4(b) rotation)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Investor's return from three mutual funds: units, NAV, yield, days held. [REPEAT · J23 Q4(b), J25 Q4(b) (same template)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Total yield; Days each investment was held | J23 Q4(b)(iii)(iv) · 4 m · asked in 3 papers | |
| ★ | Fund beta from Sharpe/Treynor; NAV after a 10% market fall | D24 Q4(b) · 7 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | 4. (b) Mr. PARAG has diversified his portfolio by investing in three mutual fund schemes – Fund Alpha, Fund Beta, and Fund Gamma. Unfortunately, he has misplaced the original investment documents and seeks assistance in reconstructing the investment details based on the latest data. Below are the details of his investments: \| Particulars \| Fund Alpha \| Fund Beta \| Fund Gamma \| \| Amount Invested (₹) \| ₹ 2,50,000 \| ₹ 3,00,000 \| ₹ 1,50,000 \| \| NAV at Time of Purchase (₹) \| ₹ 11.20 \| ₹ 10.50 \| ₹ 10.00 \| \| Dividends Received till 31-Mar-2025 (₹) \| ₹ 7,500 \| Nil \| ₹ 3,750 \| \| NAV as on 31-Mar-2025 (₹) \| ₹ 11.10 \| ₹ 9.70 \| ₹ 10.60 \| \| Effective Annual Yield (%) \| 10.80% \| - 13.25% \| 20.45% \| \| Bonus Units on 1-Jan-2025 \| Nil \| Nil \| 1:10 \| Required: (i) Analyze the number of units in each scheme. (ii) Assess the total NAV as on 31-Mar-2025. (iii) Assess the total yield (%) on investment. (iv) Analyze the number of days of investment held. [7] | J23 Q1(ix) · J25 Q4(b) · 2 m · asked in 3 papers | |

**Problems to solve (13): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: Chintamani Fund, a fund which invests exclusively in Public Sector… | SM M7 Illus. 5 · SM p.261 | |
| ★★ | Four friends S, T, U, and V have invested equivalent amount of money in four different funds… | SM M7 Illus. 6 · SM p.262 | |
| ★★ | Practical problem: Following information is available regarding four mutual funds | SM M7 Illus. 7 · SM p.263 | |
| ★★ | Practical problem: The following particulars are furnished about three Mutual Fund Schemes, P, Q… | SM M7 Illus. 8 · SM p.264 | |
| ★★ | Future value of a mutual fund investment after five years | Workbook ch.5 illustration 1 · WB p.53 | |
| ★★ | Monthly and annual return of a fund from NAV change and distributions | Workbook ch.5 illustration 2 · WB p.53 | |
| ★★ | Amount to invest now for a five-year annual payout | Workbook ch.5 illustration 3 · WB p.53 | |
| ★★ | Return a fund must earn to cover initial and recurring expenses | Workbook ch.5 illustration 6 · WB p.55 | |
| ★★ | Recurring expense at which direct investing and a fund are equal | Workbook ch.5 illustration 7 · WB p.55 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Annualised return from three mutual fund holdings with dividends | Workbook ch.5 illustration 10 · WB p.57 | |
| ★★ | Which investor's fund earned the best return per unit of risk (CAPM benchmark) | Workbook ch.5 illustration 12 · WB p.59 | |
| ★★ | Jensen's alpha of a sector equity fund | Workbook ch.5 illustration 13 · WB p.59 | |
| ★★ | Choose between an aggressive and a conservative fund, with borrowing at a fixed rate | Workbook ch.5 illustration 14 · WB p.60 | |

★ **SM exercise (if time):** M7 MCQ (not in the bank) 14 (p.290): Practical problem: A certain mutual fund has a return of 17% with standard deviation of 3.5% and… · M7 short essay 6 (p.292): Factors to be considered for selecting a mutual fund for investment · M7 short essay 7 (p.292): Following terms: alpha, beta, asset mix, rate of return, ex-mark (R2), gross yield, portfolio… · M7 essay 6 (p.293): Methods commonly applied for valuation of traded and non-traded securities of a mutual fund

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q183, Q184, Q199, Q202, Q203, Q206

## 7.5 ETF, REIT, InvIT

SM pp. 265–286 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (MCQ)

★ **SM exercise (if time):** M7 solved case 1 (p.280): Summer Mutual Fund sponsored open-ended equity-oriented fund · M7 short essay 8 (p.292): ETF · M7 short essay 9 (p.292): Real Estate Investment Trust (REIT) · M7 essay 4 (p.293): An exchange traded fund · M7 essay 8 (p.293): ETF, REIT & InVIT work · M7 essay 9 (p.293): Differences between REIT & Real Estate Mutual Fund

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q74, Q84, Q187

## 8.1 Portfolio Return and Risk, Systematic and Unsystematic Risk, Diversification strategies (Naïve vs the Markowitz Model)

SM pp. 299–315 · marks per attempt: **J25-9 · D24-7 · J24-7 · D23-7 · J23-8** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **65%** (Q5(b) portfolio sum)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Portfolio beta, residual variance and total variance by Sharpe's single-index model vs Markowitz. [REPEAT · D23 Q5(b), J25 Q5(b) (same template)]
2. Covariance and correlation of two securities; variance of a two-stock portfolio; systematic vs unsystematic risk. [REPEAT+PRACTICE · D24 Q5(b), J24 Q5(a); postal Q7(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Portfolio beta, residual variance, variance by Sharpe index model and Markowitz | D23 Q5(b) · J25 Q5(b) · 7 m · asked in 3 papers | |
| ★★★ | Correlations, variance of a 2-stock portfolio, unsystematic risk | D24 Q5(b) · POSTAL Q4(a) · POSTAL Q7(b) · 7 m | |
| ★★★ | Betas, covariances, total and systematic risk of an equal-weight portfolio | J24 Q5(a) · 7 m · asked in 3 papers | |
| ★ | Portfolio as risky as the market: amounts in stock C and debentures | J23 Q5(a) · 8 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | (xv) A portfolio holding 90 percent of its assets in CNX Nifty Stocks in proportion to their market capitalization and 10 percent in Treasury bills is more sensitive to (A) Index Risk (B) Systematic Risk (C) Unsystematic Risk (D) None of the above [2] | J25 Q1(xv) · PTP Q1(vii) · 2 m | |

**Problems to solve (12): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Practical problem: Portfolio Risk and Return An Investor has decided to invest ₹1,00,000 in the… | SM M8 Illus. 6 · SM p.310 | J26 Q3(a) |
| ★★ | Practical problem: Mr. Amit bought 10 shares of TCS on 1.4.2018 for ₹ 30,050 | SM M8 Illus. 1 · SM p.299 | |
| ★★ | Practical problem: A portfolio manager invests in five portfolios namely P, Q, R, S and T in the… | SM M8 Illus. 2 · SM p.300 | |
| ★★ | Practical problem: Calculate the return of a portfolio which has 60% invested in TCS and the rest… | SM M8 Illus. 3 · SM p.300 | |
| ★★ | Two securities A and B have a standard deviation of 10% and 20% each | SM M8 Illus. 4 · SM p.306 | |
| ★★ | Practical problem: The return in two securities and their associated probabilities are given below | SM M8 Illus. 5 · SM p.307 | |
| ★★ | Practical problem: Calculate the Systematic and Unsystematic Risk for the Companies Stock | SM M8 Illus. 7 · SM p.314 | |
| ★★ | Practical problem: From the following, you are required to find the Risk of the Portfolio, if the… | SM M8 Illus. 8 · SM p.315 | |
| ★★ | Two-stock portfolio: expected return, standard deviations, correlation and portfolio risk | Workbook ch.6 illustration 6 · WB p.64 | |
| ★★ | Two-stock portfolio from three years of returns: return, risk and correlation | Workbook ch.6 illustration 7 · WB p.65 | |
| ★★ | Correlation needed to cut portfolio risk by 75%; expected return | Workbook ch.6 illustration 8 · WB p.66 | |
| ★★ | Systematic and unsystematic risk of two stocks; risk of an equal-weight portfolio | Workbook ch.6 illustration 12 · WB p.69 | |

★ **SM exercise (if time):** M8 MCQ (not in the bank) 3 (p.360): Efficient portfolios can be defined as those portfolios which for a given level of risk… · M8 MCQ (not in the bank) 5 (p.361): The object of portfolio is to reduce ____ by diversification · M8 MCQ (not in the bank) 6 (p.361): This type of risk is avoidable through proper diversification · M8 MCQ (not in the bank) 8 (p.361): A measure of risk per unit of expected return · M8 MCQ (not in the bank) 9 (p.362): The greater the beta, the security involved · M8 MCQ (not in the bank) 10 (p.362): A statistical measure of the Degree to which two variables move together · M8 MCQ (not in the bank) 11 (p.362): Which theory believes that the investors prefer larger to smaller returns from securities · M8 MCQ (not in the bank) 13 (p.362): Which measures the systematic or non-systematic risk of a security · M8 MCQ (not in the bank) 14 (p.363): ____ is the variability in a security's returns resulting from fluctuations in the… · M8 MCQ (not in the bank) 15 (p.363): Which model related return to a single factor · M8 MCQ (not in the bank) 16 (p.363): ____ Risk is the possibility that borrowers repay debt ahead of schedule · M8 MCQ (not in the bank) 17 (p.363): Which of the following is not a common risk factor · M8 MCQ (not in the bank) 22 (p.364): Market risk is best measured by the ____ · M8 MCQ (not in the bank) 23 (p.364): The relevant risk for a well-diversified portfolio is ____ · M8 MCQ (not in the bank) 24 (p.365): Company-specific risk is also known as ____ · M8 MCQ (not in the bank) 25 (p.365): Which of the following is true regarding the expected return of a portfolio · M8 MCQ (not in the bank) 26 (p.365): In order to determine the except return of a portfolio, all of the following must be known… · M8 MCQ (not in the bank) 27 (p.365): ____ is concerned with the interrelationships between security returns · M8 MCQ (not in the bank) 28 (p.365): Unsystematic risk may arise due to the following reason · M8 MCQ (not in the bank) 31 (p.366): Practical problem: For a portfolio containing three securities A, B and C, correlation… · M8 MCQ (not in the bank) 39 (p.368): If the RBI intends to reduce the supply of money as part of anti-inflation policy, it might · M8 MCQ (not in the bank) 43 (p.369): Which of the following investment avenues has the least risk associated with it · M8 MCQ (not in the bank) 44 (p.369): Practical problem: A portfolio holding 90% of its assets in CNX Nifty stocks in proportion to… · M8 MCQ (not in the bank) 46 (p.370): Practical problem: The probability distribution of security N is given below · M8 MCQ (not in the bank) 48 (p.370): Security A has a total risk of 'a' and Security B has a total risk of 'b · M8 MCQ (not in the bank) 50 (p.371): Practical problem: An investor invested 40% of her money in Stock A and 60% in Stock B. Stock A… · M8 MCQ (not in the bank) 51 (p.371): Practical problem: An investor has limited funds to invest · M8 MCQ (not in the bank) 53 (p.372): Practical problem: An investor owns a stock portfolio equally invested in a risk free asset and… · M8 MCQ (not in the bank) 55 (p.372): The following is not a systematic risk · M8 MCQ (not in the bank) 56 (p.372): The following statement is true: (If 'r' denotes the correlation coefficient) · M8 MCQ (not in the bank) 58 (p.373): Practical problem: Consider the following information regarding of X Ltd. and Y Ltd. Stock Return… · M8 MCQ (not in the bank) 59 (p.373): Practical problem: An investor owns a stock portfolio consisting of four stocks · M8 MCQ (not in the bank) 63 (p.374): Securities A and B have a standard deviation of 10% and 15% respectively · M8 MCQ (not in the bank) 66 (p.375): Practical problem: If you invest 60% of your money in B Ltd. and 40% in T Ltd.. Assume that the… · M8 short essay 4 (p.378): Various kinds of Systematic and Unsystematic risk · M8 short essay 5 (p.378): Risk · M8 short essay 6 (p.378): Risk involved in Government Securities · M8 essay 1 (p.379): How the risk

associated with securities is effected by Government policy · M8 essay 3 (p.379): Systematic risk cannot be controlled but unsystematic risk can be reduced · M8 essay 4 (p.379): Financial risk · M8 essay 6 (p.379): Usefulness of regression equation and correlation in measuring risk · M8 essay 10 (p.379): Do you think that the effect of a combination of securities can bring about a balanced… · M8 essay 13 (p.379): Significance of 'Beta' in an individual's portfolio

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q18, Q89, Q90, Q91, Q93, Q94, Q95, Q204

## 8.2 Optimal Portfolio, Efficient Frontier, Capital Market Line

SM pp. 316–327 · marks per attempt: **D25-2 · J25-2 · D24-2 · J24-2 · D23-2** · Dec'26 forecast: tier **B**, about **2** marks when it comes, chance it comes **45%** (MCQ (vii))

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (viii) The expected return of a portfolio SOX is 17% and variance of return and investor's utility are 300 (%)$^2$ and 12% respectively. What will be the investor's risk tolerance? (A) 70 (B) 60 (C) 58 (D) None of the above [2] | J25 Q1(viii) · 2 m · asked in 4 papers | |
| ★★★ | (ix) Which of the following statement is / are said to be true with respect to risk penalty? (I) Higher the risk penalty, lower the utility of the return for the investor (II) The risk penalty will be lower for smaller values of risk tolerance and higher values of variance of asset mix. (III) For risk loving investors, risk tolerance is high and risk penalty is low resulting in high utility. (A) Only (I) of the above (B) Only (II) of the above (C) Both (I) and (II) of the above (D) Both (I) and (III) of the above [2 Marks] | D24 Q1(ix) · 2 m · asked in 4 papers | |
| ★★★ | (iii) The expected return of a Portfolio ZON is 15%, and Variance of return is 280(\%)^2. If the investor's tolerance is 70, what will be the investor's utility? (A) 15% (B) 11% (C) 4% (D) Insufficient information [2] | J24 Q1(iii) · 2 m · asked in 4 papers | |
| ★★★ | (iii) The expected return from a portfolio is 16% and its variance of return (Risk Squared) is 285%. If the investor's tolerance is 60; the Risk penalty will be (A) 5.80% (B) 4.95% (C) 4.90% (D) 4.75% [2 Marks] | D23 Q1(iii) · 2 m · asked in 4 papers | |
| ★ | (vii) MS. SAKALI, a prospective investor, has collected the following information pertaining to two securities as under: \| Security \| Return (%) \| Standard Deviation (%) \| \| \| Gilt – edged Security \| 7 \| 0 \| \| Equity \| 25 \| 30 \| Using the above two securities, if Ms. Sakali is planning to invest ₹ 5,00,000 to Construct a Portfolio with a standard deviation of 24%, the return on such Portfolio is [2] (A) ₹ 1,10,000 (B) ₹ 1,07,000 (C) ₹ 99,000 (D) ₹ 1,08,200 | D25 Q1(vii) · 2 m | |

**Problems to solve (5): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: Following is the data regarding six securities | SM M8 Illus. 9 · SM p.321 | |
| ★★ | Practical problem: Europium Ltd has been specially formed to undertake two Investment Opportunities | SM M8 Illus. 10 · SM p.321 | |
| ★★ | Practical problem: L Ltd and M Ltd has the following Risk and Return estimates | SM M8 Illus. 11 · SM p.322 | |
| ★★ | Two-project portfolio return and risk under different correlations | Workbook ch.6 illustration 9 · WB p.67 | |
| ★★ | Weights for the minimum-risk portfolio when correlation is -1 | Workbook ch.6 illustration 11 · WB p.68 | |

★ **SM exercise (if time):** M8 MCQ (not in the bank) 4 (p.360): Capital market line is · M8 MCQ (not in the bank) 7 (p.361): Beta is the slope of · M8 MCQ (not in the bank) 12 (p.362): Modern portfolio theory ____ the relationship between risk and return · M8 MCQ (not in the bank) 20 (p.364): The Markowitz model identifies the efficient set of portfolios, which offers the ____ · M8 MCQ (not in the bank) 21 (p.364): A model for optimizing the selection of securities is the ____ model · M8 MCQ (not in the bank) 37 (p.368): Which of the following securities is most liquid · M8 MCQ (not in the bank) 38 (p.368): While plotting a graph with risk on X-axis and expected return on Y-axis, a line drawn with… · M8 MCQ (not in the bank) 49 (p.370): The following is true of standard deviation of returns of a portfolio under CAPM · M8 MCQ (not in the bank) 57 (p.373): The following is not a feature of Capital Market Line · M8 short essay 9 (p.378): Markowitz 'efficient frontier · M8 short essay 10 (p.378): (a) Capital Market Line, (b) Security Market Line, (c) Beta · M8 essay 2 (p.379): Capital market line and security market line · M8 essay 5 (p.379): In what way can the relationship of risk and return be established · M8 essay 7 (p.379): Most investors are risk averse · M8 essay 8 (p.379): Is return an important consideration for

investment · M8 essay 9 (p.379): Markowitz Theory help in planning an investor's portfolio · M8 essay 11 (p.379): Is Sharpe's Model is improvement over Markowitz Portfolio Theory · M8 essay 12 (p.379): What statistical techniques would you choose to calculate risk · M8 essay 14 (p.379): An individual make an analysis of different curves to get the most beneficial portfolio · M8 essay 15 (p.379): An efficient frontier

## 8.3 Principles of Asset Allocation, Active and Passive Asset Allocation

SM pp. 328–359 · marks per attempt: **J26-7** · Dec'26 forecast: tier **B**, about **7** marks when it comes, chance it comes **20%** (Q5(b) rotation)

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Portfolio average and expected return; Treynor per stock (old 10.1; SM 8.3 illustration) | J26 Q5(b) · 7 m | |

★ **SM exercise (if time):** M8 MCQ (not in the bank) 18 (p.363): ____ step involves determining periodically how the portfolio has performed over the… · M8 MCQ (not in the bank) 19 (p.364): A combination of various investment products like bonds, shares, securities, mutual funds and… · M8 short essay 1 (p.378): Portfolio Management · M8 short essay 2 (p.378): Basic principles of Portfolio Management · M8 short essay 3 (p.378): Factors effecting Portfolio Management · M8 short essay 7 (p.378): (i) Asset Allocation Strategy (ii) Active and Passive Asset Allocation Strategies · M8 short essay 8 (p.378): Principles of Asset Allocation

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q92, Q193, Q194, Q196, Q197

## 9.1 Single Factor and Multifactor Asset Pricing Theories: CAPM and APT

SM pp. 383–389 · marks per attempt: **J26-9 · J25-2 · D24-7 · J24-9 · D23-4 · J23-8** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **90%** (Q5(a) CAPM sum + MCQ (vii))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Beta from covariance (or SD x correlation), CAPM required return (T-bill yield from its price), and whether each share is under- or over-valued. [REPEAT+PRACTICE · D23, D24, J26 Q5(a); MQP Q5(a); PTP Q5(a)]
2. Two-factor APT: factor sensitivities, required return, arbitrage by borrowing. [REPEAT · J24 Q5(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Beta from covariance, CAPM (T-bill yield from price), over/undervalued | J26 Q5(a) · 7 m · asked in 4 papers | |
| ★★★ | Portfolio beta (old 8.1; the SM teaches the risk-free route in 9.1); Risk-free securities to buy to cut beta to 1.125 (old 8.3); Shares of each company to sell (old 8.1) | J23 Q6(a)(i)(ii)(iii) · J24 Q6(a) · J25 Q6(a) · 6 m · asked in 3 papers | |
| ★★★ | Expected returns by probability, beta, CAPM return, under/overpriced | D24 Q5(a) · 7 m · asked in 4 papers | |
| ★★★ | Two-factor APT: sensitivities, borrowing, factor-2 premium | J24 Q5(b) · 7 m · asked in 3 papers | same problem: Workbook ch.7 illustration 4 (WB p.71; solution there) |
| ★★★ | Nifty contracts to sell (listed under 13.2 too) | J23 Q6(a)(iv)(v) · 1 m · asked in 3 papers | |
| ★ | Portfolio beta and CAPM return; replace a stock with RBI bonds | PTP Q5(a) · 7 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (vii) A Financial Analyst believes that stock returns are influenced by multiple macroeconomic factors such as inflation, GDP growth, and interest rates than a single market factor. This view is consistent with: [2] (A) CAPM (B) Dividend Discount Model (C) Arbitrage Pricing Theory (APT) (D) Efficient Market Hypothesis | J26 Q1(vii) · 2 m · asked in 3 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (vii) In contrast to the CAPM, Arbitrage Price Theory (APT) (A) requires that markets be in equilibrium. (B) uses Risk premiums based on micro variables. (C) specifies the number and identifies specific factors that determine expected return. (D) Does not require the restrictive assumptions concerning the market portfolio. [2] (viii) The expected return of a portfolio SOX is 17% and variance of return and investor's utility are 300 $(\%)^2$ and 12% respectively. What will be the investor's risk tolerance? (A) 70 (B) 60 (C) 58 (D) None of the above [2] | J25 Q1(vii) · 2 m · asked in 3 papers | |
| ★★★ | (xii) Which of the following statement(s) is / are True? (I) For a Characteristics line, the Y-axis represents the returns for a particular security and the X-axis represents the returns for the Market Index. (II) The SML Line is the same as the Characteristics line for an individual Security. (III) The Slope of the SML is the Beta for the particular Security. (A) Only (I) above (B) Only (II) above (C) Only (III) above (D) Only (I) and (II) above [2] | J24 Q1(xii) · 2 m · asked in 3 papers | |
| ★★★ | (ix) The Slope of the Security Market Line (SML) denotes (A) The Risk Premium required (B) Beta of the Security (C) Market Volatility (D) The influence of the unsystematic [2 Marks] | D23 Q1(ix) · 2 m · asked in 3 papers | |
| ★★★ | (xiv) ZONS Ltd. Shares are traded in the Stock Market. The Standard Deviations of ZONS'S Shares and the Market are 6% and 4% respectively. If the Correlation Co-efficient for the shares with the market is 0.8, what will be Beta Co-efficient of the Company's Shares based on the CAPM? (A) 0.90 (B) 1.00 (C) 1.20 (D) 1.50 [2 Marks] | D23 Q1(xiv) · MQP Q5(a) · 2 m · asked in 4 papers | |
| ★★★ | (viii) The intercept of the security market line (SML) on the Y-axis is (A) the risk free return. (B) the positive risk premium. (C) the Beta of the security. (D) the expected return when \beta = 1. | J23 Q1(viii) · POSTAL Q7(a) · 2 m · asked in 3 papers | |

**Problems to solve (9): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Portfolio expected return by CAPM; effect of moving one stock into bonds | Workbook ch.7 illustration 4 · WB p.71 | J24 Q5(b) · D25 Q1(viii) |
| ★★ | CAPM expected return, security and market risk premium | Workbook ch.6 illustration 1 · WB p.62 | |
| ★★ | Equilibrium share price from CAPM and dividend growth; buy or not | Workbook ch.6 illustration 4 · WB p.63 | |
| ★★ | Buy, hold or sell after changes in risk-free rate, premium, beta and growth | Workbook ch.6 illustration 5 · WB p.63 | |
| ★★ | CAPM return of each security and average return of a portfolio with bonds | Workbook ch.6 illustration 10 · WB p.68 | |
| ★★ | Expected return of a stock with beta 0.75 on the security market line | Workbook ch.7 illustration 5 · WB p.71 | |
| ★★ | CAPM return of each holding and the implied risk-free rate (simple average beta) | Workbook ch.7 illustration 7 · WB p.72 | |
| ★★ | Risk-free rate and CAPM return of each stock (weighted average beta) | Workbook ch.7 illustration 8 · WB p.73 | |
| ★★ | Multi-factor (APT) required return against expected return: buy or sell | Workbook ch.7 illustration 9 · WB p.74 | |

★ **SM exercise (if time):** M3 MCQ (not in the bank) 15 (p.138): The value of beta of a security does not depend on · M8 MCQ (not in the bank) 34 (p.367): The intercept of the Security Market Line (SML) on the y axis is · M8 MCQ (not in the bank) 40 (p.368): Practical problem: Rate of inflation = 5.1%, β = 0.85, Risk premium = 2.295%, Market return = 12% · M8 MCQ (not in the bank) 42 (p.369):

Practical problem: If the covariance between the returns on a portfolio BC and returns on the… · M8 MCQ (not in the bank) 47 (p.370): The intercept of the security market line on the y axis is · M8 MCQ (not in the bank) 54 (p.372): Practical problem: You are given the following information · M8 MCQ (not in the bank) 60 (p.374): Security Market Line (SML) shows the relationship between return on the stock and · M8 MCQ (not in the bank) 61 (p.374): Practical problem: Historically, when the market return changed by 10%, the return on the stock of… · M8 MCQ (not in the bank) 64 (p.374): Which of the following is on the horizontal axis of the Security Market Line · M8 MCQ (not in the bank) 65 (p.375): Practical problem: The beta of stock of A Ltd. is 2.00 and is currently in equilibrium · M9 MCQ (not in the bank) 2 (p.407): APT can be used in · M9 MCQ (not in the bank) 7 (p.408): The slope of the security characteristic line is an asset's · M9 MCQ (not in the bank) 8 (p.408): With respect to the capital asset pricing model, the primary determinant of expected return of… · M9 MCQ (not in the bank) 9 (p.409): With respect to the capital asset pricing model, which of the following values of beta for an… · M9 MCQ (not in the bank) 10 (p.409): The intercept of the best fit line formed by plotting the excess returns of a manager's… · M9 MCQ (not in the bank) 11 (p.409): With respect to capital market theory, the average beta of all assets in the market is · M9 MCQ (not in the bank) 13 (p.410): The capital market line, CML, is the graph of the risk and return of portfolio combinations… · M9 MCQ (not in the bank) 14 (p.410): With respect to the pricing of risk in capital market theory, which of the following… · M9 MCQ (not in the bank) 15 (p.410): With respect to return-generating models, the slope term of the market model is an estimate of… · M9 short essay 1 (p.412): Basic assumptions of CAPM · M9 short essay 2 (p.412): Features of CAPM · M9 short essay 3 (p.412): Difference between CML and SML · M9 short essay 4 (p.412): Uses of CAPM · M9 short essay 5 (p.412): Basic assumptions behind the Arbitrage Pricing Theory · M9 short essay 7 (p.412): Basic two-factor model of APT · M9 short essay 10 (p.412): Analysis of Beta · M9 essay 1 (p.413): Is the relationship between risk and return for efficient portfolios · M9 essay 2 (p.413): Difference between CML and SML · M9 essay 3 (p.413): Difference between a security characteristic line and the capital market line · M9 essay 4 (p.413): Under the CAPM, what is the efficient set called · M9 essay 6 (p.413): In the context of CAPM with unlimited borrowing and lending at the risk free rate of interest,… · M9 essay 7 (p.413): Empirical evidence on the CAPM · M9 essay 9 (p.413): An investor earn risk-free arbitrage · M9 MCQ (not in the bank) 4 (p.414): The risk of the whole market as measured by beta is · M9 MCQ (not in the bank) 8 (p.415): Assume that both A and B are well diversified portfolios and the risk free rate is 8%… · M15 MCQ (not in the bank) (list 2) 28 (p.678): Arbitrage pricing theory model helps to

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q98, Q100, Q101, Q102, Q103, Q191

## 9.2 Concepts and Applications (including Levered Beta and Unlevered Beta)

SM pp. 390–406 · marks per attempt: **J26-2 · D25-9 · J25-7** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **90%** (MCQ (viii) + Q5(a))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Levered and unlevered (asset) beta; required return of a project; over- or under-performing. [REPEAT · J25 Q5(a); MCQ (viii) D25 + J26]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | CAPM expected return and alpha-adjusted return of two portfolios | D25 Q5(a) · 7 m · asked in 4 papers | |
| ★★★ | Levered beta, CAPM return (T-bill yield from price), over/underperforming | J25 Q5(a) · MQP Q1(viii) · PTP Q1(viii) · 7 m · asked in 3 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (viii) A Company has an equity beta of 1.20 and a debt equity ratio of 0.8. If the Tax rate is NIL, what will be the beta of the Asset of the Company? [2] (A) 0.90 (B) 0.80 (C) 0.67 (D) 1.20 | J26 Q1(viii) · 2 m · asked in 3 papers | |
| ★★★ | (viii) ZOMB Ltd. is entirely financed by equity shares. The equity share has a beta of 0.8. The company pays no taxes. ZOMB Ltd. now decides to buy back half of the equity shares by borrowing an equal amount. If the debt yields a Risk free return of 10% (Beta = 0), what will be the beta of the equity shares after buy back? [2] (A) 1.60 (B) 1.20 (C) 0.80 (D) 1.50 | D25 Q1(viii) · 2 m · asked in 3 papers | same problem: Workbook ch.7 illustration 4 (WB p.71; solution there) |

**Problems to solve (7): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Assume for the subject company: Unlevered beta: 0.90 Tax rate: 0.30 Capital structure: 60%… | SM M9 Illus. 8 · SM p.391 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Beta from standard deviations and correlation | Workbook ch.6 illustration 2 · WB p.62 | |
| ★★ | Beta of the second stock in a portfolio with market risk | Workbook ch.6 illustration 3 · WB p.62 | |
| ★★ | Risk-free holding to sell to raise portfolio beta to a target | Workbook ch.7 illustration 1 · WB p.70 | |
| ★★ | Beta from standard deviations and correlation | Workbook ch.7 illustration 2 · WB p.70 | |
| ★★ | Project beta from equity and debt betas after tax | Workbook ch.7 illustration 3 · WB p.70 | |
| ★★ | Beta of the second stock in a portfolio with market risk (second set) | Workbook ch.7 illustration 6 · WB p.72 | |

★ **SM exercise (if time):** M8 MCQ (not in the bank) 30 (p.366): A firm has an asset β = 1.3, equity β = 1.5 · M8 MCQ (not in the bank) 36 (p.367): Practical problem: A project had an equity beta of 1.4 and is to be financed by a combination of… · M8 MCQ (not in the bank) 45 (p.369): Practical problem: Project X is to be financed by 40% debt (with zero beta) and balance with… · M9 solved case 1 (p.403): Practical problem: A portfolio management services manages a stock fund consisting of five stocks… · M9 MCQ (not in the bank) 12 (p.409): Which of the following types of risk is most likely avoided by forming a diversified portfolio · M9 short essay 6 (p.412): Advantages and disadvantages of the APT over the CAPM · M9 short essay 8 (p.412): Levered Beta · M9 short essay 9 (p.412): Unlevered Beta · M9 essay 5 (p.413): What factors influence market risk premium · M9 essay 8 (p.413): Relationship of Asset beta & equity beta with an example · M9 essay 10 (p.413): How the APT may be utilized in practical investment management · M9 MCQ (not in the bank) 2 (p.413): The beta of equity is 1.2 · M9 MCQ (not in the bank) 3 (p.414): Practical problem: Mr. Pandey has formed a portfolio and the characteristics of his portfolio are… · M9 MCQ (not in the bank) 7 (p.415): Practical problem: Portfolio E(ri) Rish (βi) X 10.0 0.95 Y 13.5 1.15 M 17.0 1.00 From the above…

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q96, Q97, Q99, Q195, Q198, Q200, Q214, Q215, Q216, Q217

## 10.1 Conventional Performance Evaluation

SM pp. 419–429 · marks per attempt: **J26-7 · D25-7 · J25-4 · D24-4 · J24-7 · D23-7 · J23-8** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **90%** (Q4(b) or Q5 performance sum + MCQ)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Fund returns from NAVs; rank the funds by Sharpe and Treynor. [REPEAT+PRACTICE · J24 Q4(b), J26 Q4(b); PTP Q4(b) Treynor]
2. Rank several portfolios by Sharpe, Treynor and Jensen's alpha; money-weighted vs time-weighted return. [PRACTICE+REPEAT · D25 Q5(b); MQP Q5(b) (seven portfolios); PTP Q5(b) MWRR/TWRR; postal Q6(a)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Fund returns from NAVs; Sharpe and Treynor | J26 Q4(b) · 7 m · asked in 7 papers | |
| ★★★ | Rank three funds by Sharpe, Treynor, Jensen | D25 Q5(b) · 7 m · asked in 7 papers | |
| ★★★ | Rank three MFs by Sharpe; Rank three MFs by Treynor | J23 Q5(b)(i)(ii) · J25 Q1(iii) · MQP Q1(vii) · MQP Q5(b) · PTP Q4(b) · POSTAL Q6(a) · 8 m · asked in 7 papers | |
| ★★★ | Rank four funds by Sharpe and Treynor (beta from systematic risk) | J24 Q4(b) · 7 m · asked in 7 papers | |
| ★★★ | From Jensen alpha + Treynor: beta, risk-free rate, SML | D23 Q5(a) · 7 m · asked in 7 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Portfolio average and expected return; Treynor per stock (old 10.1; SM 8.3 illustration) (listed under 8.3 too) | J26 Q5(b) · 7 m | |
| ★ | Money-weighted vs time-weighted return | PTP Q5(b) · 7 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xi) The Sharpe's ratio and Treynor's ratio of RITN Growth Fund are 0.35 and 6.50 respectively. The correlation co-efficient between returns of the fund and the market index is 0.60. The standard deviation of the market index's return approximately is (A) 11.42% (B) 11.14% (C) 13.45% (D) None of the above [2] | J25 Q1(xi) · 2 m · asked in 7 papers | |
| ★★★ | (iv) MS RUANA, a Portfolio Manager realized an Average Annual return of 15 %. The Beta of the Portfolio is 1.2 and the Standard deviation of return is 25 %. The Average Annual return for the Market index was 11 % and the Standard deviation of the Market returns is 20 %. If the risk free rate is 4 %, the Sharpe ratio for the Portfolio will be (A) 0.16 (B) 0.44 (C) 0.55 (D) None of the above [2 Marks] | D24 Q1(iv) · 2 m · asked in 7 papers | |
| ★★★ | (xiii) The Sharpe ratio and Treynor ratio of SONTA Equity Fund are 0.37 and 4.16 respectively. The risk premium on the Fund is 6%. Standard deviation of the Fund's return is 11.80 %. If the standard deviation of the Market Index's return is 9.56 %, the Correlation Co-efficient between return of the Fund and the Market will be (A) 0.90 (B) 0.85 (C) 0.72 (D) None of the above [2 Marks] | D24 Q1(xiii) · 2 m · asked in 7 papers | |

**Problems to solve (8): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: Fund A has the following market value at the end of some successive years | SM M10 Illus. 1 · SM p.420 | |
| ★★ | Practical problem: Shares of ABC Ltd. Pay a dividend of ₹ 2.00 at the end of March every year | SM M10 Illus. 2 · SM p.421 | |
| ★★ | Practical problem: A mutual fund starts the year with ₹ 50 million | SM M10 Illus. 3 · SM p.422 | |
| ★★ | Practical problem: Mr. Mukherjee has been managing the portfolio of a large fund for the last 3… | SM M10 Illus. 4 · SM p.423 | |
| ★★ | Practical problem: Mr. Singh has been managing the portfolio of a large mutual fund for the last 3… | SM M10 Illus. 5 · SM p.424 | |
| ★★ | Practical problem: Based on the data provided below, compare the performance of the portfolios… | SM M10 Illus. 6 · SM p.427 | |
| ★★ | Practical problem: A mutual fund analyst has collected the following past performance report of 6… | SM M10 Illus. 7 · SM p.427 | |
| ★★ | Practical problem: Let us consider the following Benchmark index and the managed portfolio M Asset… | SM M10 Illus. 8 · SM p.428 | |

★ **SM exercise (if time):** M8 MCQ (not in the bank) 33 (p.367): Practical problem: The following information is available for a mutual fund · M10 short essay 2 (p.440): Sharpe ratio · M10 short essay 3 (p.440): Treynor's ratio · M10 short essay 4 (p.440): Jensen's Alphs · M10 essay 1 (p.440): Different measures of return · M10 essay 2 (p.440): Various risk adjusted measures of performance evaluation · M10 MCQ (not in the bank) 4 (p.441): Practical problem: A portfolio manager realized an average annual return of 10% · M10 MCQ (not in the bank) 5 (p.441): Practical problem: In a recent year, a portfolio manager earned a return of 9.5% by making the…

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q104, Q105, Q106, Q107, Q108, Q109

## 10.2 Market Timing and Style Analysis

SM pp. 430–436 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (MCQ)

★ **SM exercise (if time):** M10 short essay 1 (p.440): Market timing

## 11.1 Definition

SM pp. 445–448 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **10%** (MCQ)

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Assumptions of a perfect capital market | POSTAL Q1(iii) · 2 m | |

★ **SM exercise (if time):** M11 MCQ (not in the bank) 8 (p.457): In an efficient market, portfolio management: (a) Plays an important role in terms of… · M11 MCQ (not in the bank) 10 (p.457): Which of the following sources of market inefficiency would be most easily exploited · M11 MCQ (not in the bank) 11 (p.457): Which of the following statements are true if the efficient market hypothesis holds · M11 short essay 1 (p.459): Meant by an efficient market

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q111, Q114, Q115

## 11.2 Forms of Market Efficiency

SM pp. 449–454 · marks per attempt: **J25-2 · D24-2 · J24-2 · D23-2** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **30%** (MCQ)

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xii) Which of the following statement(s) is/are true concerning all the three forms of the efficient market hypothesis? (1) Equilibrium rate of return will prevail. (2) Securities of firms sell at their fair value. (3) Investors cannot earn a positive return. (A) Only (1) above (B) Only (2) above (C) Both (1) and (3) above (D) Both (1) and (2) above [2] | J25 Q1(xii) · 2 m · asked in 4 papers | |
| ★★★ | (xv) An Event Study is a test of which form of Efficient Market Hypothesis? (I) Weak form of Efficient Market Hypothesis (II) Semi-strong form of Efficient Market Hypothesis (III) Strong form of Efficient Market Hypothesis (A) Only (I) of the above (B) Only (II) of the above (C) Both (I) and (II) of the above (D) Only (III) of the above. [2 Marks] | D24 Q1(xv) · 2 m · asked in 4 papers | |
| ★★★ | (ix) If conclusion and opinions of equity analysts and other experts, based on publicly available information are reflected in stock prices, then stock market exhibits (A) Weak form of efficiency (B) Semi-strong form of efficiency (C) Inefficiency (D) Both (A) and (B) above [2] | J24 Q1(ix) · 2 m · asked in 4 papers | |
| ★★★ | (v) If the director of COMTECH Ltd. who has access to inside information is unable to use this information to make Supernormal Profits, it is a sign of (A) weak form of Efficient Market hypothesis. (B) semi-strong form of Efficient Market hypothesis. (C) strong form of Efficient Market hypothesis. (D) incompetence of the Director. [2 Marks] | D23 Q1(v) · 2 m · asked in 4 papers | |

★ **SM exercise (if time):** M8 MCQ (not in the bank) 62 (p.374): Residual analysis is a test of · M11 MCQ (not in the bank) 7 (p.457): The small-firm-in-January effect refers to the phenomenon that portfolios of small-firm stocks… · M11 MCQ (not in the bank) 9 (p.457): Which of the following most appears to contradict the proposition that the stock market is… · M11 MCQ (not in the bank) 12 (p.457): Which of the following would be a viable way to earn abnormally high trading profits if… · M11 short essay 2 (p.459): Weak-form EMH · M11 short essay 3 (p.459): Meant by the term abnormal rate of return · M11 short essay 4 (p.459): Assume you want to test the EMH by comparing alternative trading rules to a buy and hold policy · M11 short essay 5 (p.459): Results of a study that supported the semi-strong form EMH · M11 essay 1 (p.459): For many of the EMH tests, it is really a test of a "joint hypothesis." Discuss what is meant… · M11 essay 2 (p.459): Results of a study that did support the strong-form EMH · M11 essay 3 (p.459): What advice would you give to your superior analysts in terms of the set of firms to analyze…

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q112

## 11.3 Implications

SM pp. 455–455 · **never asked in the seven papers**

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q110, Q113

## 12.0 Concept of Risk | 12.1

SM pp. 465–473 · marks per attempt: **J26-2 · D25-2 · J23-2** · Dec'26 forecast: tier **B**, about **2** marks when it comes, chance it comes **80%** (MCQ (ix))

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (ix) Responses to risk generally fall into: [2] (A) Risk avoidance (B) Risk transfer (C) Risk Measurement (D) Both (A) and (B) | J26 Q1(ix) · 2 m · asked in 3 papers | |
| ★★★ | (ix) Which one of the following types of Credit Risk, is a chance that a rating agency will lower its rating on the issuer or the probability of loss from a fall in issuers rating because of deterioration in its financial condition? [2] (A) Credit Spread Risk (B) Default Risk (C) Downgrade Risk (D) Country Risk | D25 Q1(ix) · 2 m · asked in 3 papers | |
| ★★★ | (x) Which one of the following is not a part of Market Risk and why? (A) Equity Risk (B) Inflation Risk (C) Downgrade Risk (D) None of the above | J23 Q1(x) · POSTAL Q1(iv) · 2 m · asked in 3 papers | |

**Problems to solve (2): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Value at risk of one share holding over 1 and 16 days at 99% | Workbook ch.7 illustration 10 · WB p.75 | |
| ★★ | Ten-day value at risk of a two-stock portfolio at 99% | Workbook ch.7 illustration 11 · WB p.75 | |

★ **SM exercise (if time):** M12 MCQ (not in the bank) 4 (p.474): Which of the following is not a part of Credit Risk · M12 short essay 1 (p.475): Terms 'risk' and 'risk management · M12 short essay 2 (p.475): Basic steps in risk management · M12 short essay 3 (p.475): Various types of credit risk · M12 short essay 4 (p.475): Funding liquidity and market liquidity risks have a compounding effect · M12 short essay 5 (p.475): How will you assess and mitigate the liquidity risk · M12 essay 1 (p.476): Market risk · M12 essay 2 (p.476): Credit risk' and explain how one can assess and mitigate such risk · M12 essay 3 (p.476): A brief note on 'liquidity risk' and examine its relationship with the other types of risks · M12 essay 4 (p.476): Risk management process in detail · M12 solved case 1 (p.476): Jorion

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q116, Q117, Q118, Q119, Q120, Q121, Q122, Q123, Q124, Q125, Q205, Q228, Q229, Q230

## 13.1 Introduction to Financial Derivatives

SM pp. 479–481 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **10%** (MCQ)

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Swaps = private agreements to exchange cash flows | MQP Q1(xii) · 2 m | |

★ **SM exercise (if time):** M13 short essay 1 (p.603): Benefits of financial derivatives · M13 short essay 2 (p.603): Four basic financial derivatives · M13 short essay 3 (p.603): Forward Contract · M13 short essay 4 (p.603): In the context of Futures Contract, discuss the feature 'Standardization

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q137, Q188

## 13.2 Forward and Futures - Meaning and Difference, Pricing, Stock Futures, Index based Futures, Hedging through Futures

SM pp. 482–514 · marks per attempt: **J26-7 · D25-7 · J25-7 · D24-9 · J24-9 · D23-9 · J23-5** · Dec'26 forecast: tier **A**, about **9** marks when it comes, chance it comes **99%** (Q6(a) index-futures sum + MCQ)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Portfolio beta, fair value of index futures (cost of carry / dividend yield), number of contracts to hedge, to reduce or raise the beta; hedge P/L when the market moves. [REPEAT · In all 6 papers - the December template D23 = D24 = D25; MQP Q6(a); PTP Q6(a)]
2. Reduce the portfolio beta to a target either by selling shares and buying risk-free securities or by selling index futures. [REPEAT · J23, J24, J25 Q6(a) (the June template)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Contracts to hedge with an adjusted beta; P/L if the market falls or rises | J26 Q6(a) · 7 m · asked in 6 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Portfolio beta (old 8.1; the SM teaches the risk-free route in 9.1) (listed under 9.1 too) | J23 Q6(a)(i)(ii)(iii) · J24 Q6(a) · J25 Q6(a) · 2 m · asked in 3 papers | |
| ★★★ | Portfolio beta, Nifty futures fair value, contracts to hedge, contracts to cut beta to 0.6 | D23 Q6(a) · 7 m · asked in 6 papers | |
| ★★★ | Nifty contracts to sell; Portfolio beta after a 4% rise in Nifty | J23 Q6(a)(iv)(v) · 3 m · asked in 3 papers | |
| ★ | Forward price and arbitrage | POSTAL Q4(b)(i) · 4 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | 6. (a) MR. HICKS, an investor, has a portfolio of five securities on January 1, 2025 as given below: \| Security \| Price (₹) \| No. of Shares \| Beta \| \| \| AN \| 612.65 \| 3000 \| 0.90 \| \| BZ \| 334.20 \| 5000 \| ? \| \| CT \| 454.45 \| 6000 \| 0.40 \| \| DM \| 775.10 \| 10000 \| 0.95 \| \| EB \| 781.05 \| 3000 \| 0.85 \| Other Information : - Portfolio beta is 0.859. - The cost of capital to the investor is 10.5 % p.a. - No. of days in a year to be traded as 365 days Required : (i) Calculate the value of Beta of Security BZ. (ii) Analyse the theoretical value of the Nifty Futures for February, 2025. Current value of Nifty is 13000. [Given : \ln(1.105) = 0.0998, e^{0.015858} = 1.01598 and e^{0.01668} = 1.01682] (iii) Identify the number of contract of Nifty the investor needs to sell to get a full hedge until February, for his portfolio, if the current value of Nifty is 13000 and Nifty Futures have a minimum trade lot requirement of 100 units. Assume that the Futures are trading at their fair value. (iv) Assess the number of Future Contracts to be sold to the Customers if the new Beta of the Portfolio is 1.263. [7] | J23 Q1(iv) · D24 Q1(xi) · D24 Q6(a) · D25 Q6(a) · MQP Q1(ix) · MQP Q6(a) · PTP Q6(a) · 2 m · asked in 6 papers | |
| ★★★ | (vii) MR. KAYON a Portfolio Manager managing a Portfolio XB whose current Market value of ₹ 1,800 Lakh. It is expected that the market are likely to correct downwards and hedging needs to be adopted using NIFTY Index futures. Currently Index futures are quoted at 8000 with each contract underlines 200 units. MR. KAYON hedges 100% of his Portfolios. If the number of NIFTY Index contracts to be sold is 180, what will be the Portfolio Beta? (A) 1.60 (B) 1.50 (C) 1.20 (D) None of the above [2] | J24 Q1(vii) · 2 m · asked in 6 papers | |
| ★★★ | (vi) EYAN Ltd. (EL) has a Beta of 0.80 with BSE 300. Each BSE 300 Futures contract is worth 100 units. BINUA Anticipates a bearish market for the next three months and has gone short on Shares of 25000 Shares of EL in the Spot Market. EL shares are traded at ₹ 100. 3 months' Future BSE 300 is quoted at 15500. What are the numbers of BSE 300 Futures contract to be taken by BINUA if she wants to hedge price risk to the extent of 125%? (A) 300 (B) 250 (C) 240 (D) 200 [2 Marks] | D23 Q1(vi) · 2 m · asked in 6 papers | |
| ★ | Forward price with continuous compounding | PTP Q1(ix) · 2 m | |

**Problems to solve (30): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Practical problem: On June 15, Mr. X establishes a long position in 200 shares of Tata Steel on… | SM M13 Illus. 2 · SM p.488 | J25 Q6(b) |
| ★★ | An investor sells 10 million yen forward at a forward price of 0.0090 per yen | SM M13 Illus. 1 · SM p.484 | |
| ★★ | Practical problem: A 6-month forward contract on 100 shares with a price of ₹38 each is available | SM M13 Illus. 4 · SM p.491 | |
| ★★ | Consider a 6-month forward contract on a security where 4% p.a | SM M13 Illus. 5 · SM p.492 | |
| ★★ | Consider a 6 month long forward contract on a non-dividend paying stock | SM M13 Illus. 6 · SM p.492 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Tripti has two investment opportunities, M and N, carrying an yield of 15% p.a | SM M13 Illus. 7 · SM p.493 | |
| ★★ | Practical problem: Theoretical Forward Price - No Dividends, No Carrying Cost Compute the… | SM M13 Illus. 8 · SM p.494 | |
| ★★ | Practical problem: Shares of Sandeep Ltd. are being quoted at ₹600 | SM M13 Illus. 9 · SM p.496 | |
| ★★ | Practical problem: Compute the theoretical forward price of the following securities for 2 month,… | SM M13 Illus. 10 · SM p.497 | |
| ★★ | Practical problem: A four month European call option on a dividend paying stock is currently… | SM M13 Illus. 11 · SM p.497 | |
| ★★ | Practical problem: The price of Compact Stock of a face value of ₹10 on 31st December, 2024 was… | SM M13 Illus. 12 · SM p.498 | |
| ★★ | Super Polycarbons Ltd. has the following information about LDPE and HDPE granules (raw… | SM M13 Illus. 13 · SM p.499 | |
| ★★ | Practical problem: The following data relates to DCB Ltd's share prices | SM M13 Illus. 14 · SM p.501 | |
| ★★ | Practical problem: A high net worth individual (Mr. Z) is holding the following portfolio in ₹… | SM M13 Illus. 15 · SM p.504 | |
| ★★ | Practical problem: Cross Hedge Given the following information BSE Index 50,000 Value of Portfolio… | SM M13 Illus. 16 · SM p.507 | |
| ★★ | Hedging of risks – Futures Rate Not Available - Choice of Cross Hedge | SM M13 Illus. 17 · SM p.509 | |
| ★★ | Practical problem: In February, Pepper future traded at 16.80, the February ₹18.00 call at ₹0.45… | SM M13 Illus. 18 · SM p.510 | |
| ★★ | Practical problem: Stock Index – Futures A portfolio manager owns 3 stocks Stock Shares owned… | SM M13 Illus. 19 · SM p.510 | |
| ★★ | Headging with Index Futures A Unit trust wants to hedge its portfolios of shares worth ₹10… | SM M13 Illus. 20 · SM p.512 | |
| ★★ | Which position on the index future gives a speculator, a complete hedge against the following… | SM M13 Illus. 21 · SM p.512 | |
| ★★ | Practical problem: Fill up the blanks in the following matrix- Case Portfolio Value Existing Beta… | SM M13 Illus. 22 · SM p.513 | |
| ★★ | Theoretical three-month futures price against the quoted price | Workbook ch.8 illustration 8 · WB p.78 | |
| ★★ | Profit or loss on an index futures contract | Workbook ch.8 illustration 9 · WB p.79 | |
| ★★ | Daily mark-to-market and margin account for long and short index futures | Workbook ch.8 illustration 11 · WB p.79 | |
| ★★ | Index futures position that fully hedges each cash position (beta-adjusted) | Workbook ch.8 illustration 12 · WB p.80 | |
| ★★ | Futures price with a known dividend (continuous compounding) | Workbook ch.8 illustration 13 · WB p.81 | |
| ★★ | Cash-and-carry arbitrage between spot and futures | Workbook ch.8 illustration 14 · WB p.81 | |
| ★★ | Hedging a portfolio with index futures: futures price and gain on the short position | Workbook ch.8 illustration 16 · WB p.83 | |
| ★ | Practical problem: On Aug | SM M13 exercise sum 1 · SM p.609 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★ | Practical problem: The settlement price of JUNE NIFTY Futures contract on a particular day was 4585 | SM M13 exercise sum 2 · SM p.609 | |

★ **SM exercise (if time):** M8 MCQ (not in the bank) 35 (p.367): Practical problem: A mutual fund wants to hedge its portfolio of shares worth ₹ 10 crore using the… · M13 MCQ (not in the bank) 20 (p.607): Practical problem: An investor bought 2,000 shares of X Ltd. for ₹ 90 per share · M13 MCQ (not in the bank) 27 (p.608): Practical problem: A stock index currently stands at 7000 · M13 MCQ (not in the bank) 28 (p.608): Practical problem: A 6-month forward contract on a non-dividend paying stock when the stock price…

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q128, Q131, Q133, Q135, Q136, Q160, Q162, Q165, Q170, Q172

## 13.3 Options

SM pp. 515–570 · marks per attempt: **J26-4 · D25-11 · J25-11 · D24-11 · J24-13 · D23-11 · J23-9** · Dec'26 forecast: tier **A**, about **9** marks when it comes, chance it comes **99%** (Q6(b) options sum + MCQs (x), (xi))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Binomial option pricing (delta and risk-neutral methods); put by put-call parity; expected value of the option. [REPEAT · D23, J24, D25 Q6(b) (D25 = D23 template); J23 Q6(b)]
2. Option strategies (straddle, strangle, spreads): position at different prices; exercise decisions on calls and puts. [REPEAT+PRACTICE · D24 Q6(b); PTP Q6(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Binomial: shares per call for a perfect hedge; Show the hedge gives the same value either way; Value of the call today; Expected return on the call | J23 Q6(b)(i)(ii)(iii)(iv) · D25 Q6(b) · 7 m · asked in 4 papers | |
| ★★★ | Long call + long put (strangle): position at three prices | D24 Q6(b) · 7 m · asked in 4 papers | similar problem: SM M13 Illus. 60 (SM p.567; solution there) |
| ★★★ | Call by binomial and risk-neutral methods; show they agree | J24 Q6(b) · 7 m · asked in 4 papers | |
| ★★★ | Binomial (delta) call value, put by put-call parity, expected values | D23 Q6(b) · 7 m · asked in 4 papers | |
| ★★ | Call value from a price distribution; expected value; implied share price | J25 Q6(b) · 7 m · asked in 2 papers | same problem: Workbook ch.2 illustration 7 (WB p.24; solution there) · same problem: SM M13 Illus. 2 (SM p.488; solution there) |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (x) A Nifty has a Theta of -0.02. If the time to expiration decreases by 1 day, what is the change in the option price, assuming the option price is ₹ 1,000? [2] (A) Decrease by ₹ 20 (B) Increase by ₹ 20 (C) Decrease by ₹ 50 (D) Increase by ₹ 50 | J26 Q1(x) · 2 m · asked in 6 papers | |
| ★★★ | (x) Consider a bullish Spread Option Strategy using a call option on the stock of CNC Oil with ₹ 220 exercise price priced at ₹ 24 and a call option with ₹ 280 exercise price priced at ₹ 14. The current market price of stock of CNC Oil is ₹ 248. If the price of the stock is ₹ 360 on maturity, the net profit at expiration will be ____. [2] (A) ₹ 70 (B) ₹ 60 (C) ₹ 50 (D) None of the above | D25 Q1(x) · 2 m · asked in 4 papers | |
| ★★★ | (v) MR. RITAV, an investor buys 100 shares of a sugar mill at ₹ 210 per share and at the same time writes a September ₹ 250 call at a premium of ₹ 20 per share. If the expiration date price is ₹ 280, calculate the net gain/loss. (A) ₹ 60 (B) ₹ 40 (C) ₹ 20 (D) None of the above [2] | J25 Q1(v) · 2 m · asked in 4 papers | |
| ★★★ | (xiv) Which one of the following Greek alphabets with respect to option measures the sensitivity of option price with respect to the volatility of the price of the underlying asset? (A) Gamma (B) Vega (C) Rho (D) Theta [2] | J25 Q1(xiv) · 2 m · asked in 6 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (x) An option's theoretical value increases by 1.8 if the interest rate is decreased by 1 %. Then 1.8 is (A) the Rho of a Call option. (B) the Rho of a Put option. (C) the Theta of a Call option. (D) incomplete parameters. [2 Marks] | J23 Q1(vii) · D24 Q1(x) · 2 m · asked in 6 papers | |
| ★★★ | (viii) The current price of BCC's Stock is ₹ 1,515 and it is expected that price of the stock may either go up to the ₹ 1,818 or go down to ₹ 1,212. If strike price of call option of BCC's Stock is ₹ 1,515 and risk-free rate is 7%, the probability of decrease in stock price is (A) 0.4523 (B) 0.3971 (C) 0.325 (D) None of the above [2] | J24 Q1(viii) · 2 m · asked in 4 papers | |
| ★★★ | (x) Which one of the following Greek alphabets with respect to option measures the sensitivity of options price with respect to its time to expiry i.e. Time value of an option? (A) Delta (B) Theta (C) Rho (D) Vega [2] | J24 Q1(x) · 2 m · asked in 6 papers | |
| ★★★ | (vii) Buying and Selling a call and a put option with same strike prices and same expiry date is called (A) Straddle (B) Box spread (C) Strip (D) Butterfly spread [2 Marks] | D23 Q1(vii) · 2 m · asked in 4 papers | |
| ★★★ | (viii) When the trade open on 01.03.2023 the stock price of Rolex Ltd., is ₹ 250. It rises to ₹ 260. The March 2023, call option on Rolex Ltd. started at ₹ 25. It moved to ₹ 29. The Delta of call option of Rolex Ltd. would be ____. (A) 0.50 (B) 0.40 (C) 0.35 (D) Insufficient information [2 Marks] | D23 Q1(viii) · 2 m · asked in 6 papers | |
| ★★ | (xi) Which of the following Complex derivatives are options on Portfolios of underlying asset? [2] (A) Warrants (B) Swaptions (C) Baskets (D) LEAPS | D25 Q1(xi) · J26 Q1(xi) · PTP Q8(b) · 2 m · asked in 2 papers | |
| ★★ | (xv) MR. KKM, an investor buys a call option contract for a premium of ₹ 150. The exercise price is ₹ 45 and the current market price of the share is ₹ 42. If the share price after three months reaches ₹ 50, what is the profit made by the option holder on exercising the option? Contract is for 100 shares. Ignore the transaction charges. (A) ₹ 450 (B) ₹ 350 (C) ₹ 375 (D) ₹ 400 [2] | J24 Q1(xv) · MQP Q1(x) · PTP Q1(xi) · PTP Q6(b) · 2 m · asked in 2 papers | |
| ★ | (vii) In June, 2024 a Six Month Call on RITZ Ltd's Stock with an exercise price of ₹ 25 sold for ₹ 5. The Stock price was ₹ 20. The risk free interest rate was 5 % per annum. How much would you be willing to pay for a put option on RITZ Ltd's stock with same maturity and exercise price ? [ Given : PVIF (5 %, ½ yr.) = 0.9756 ] (A) ₹ 9.39 (B) ₹ 6.39 (C) ₹ 2.39 (D) None of the above [2 Marks] | D24 Q1(vii) · POSTAL Q1(ii) · 2 m | |

**Problems to solve (58): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Trie market received rumor about XYZ Corporation’s tie – up with a multinational company | SM M13 Illus. 60 · SM p.567 | D24 Q6(b) (similar) |
| ★★ | Practical problem: On 29.06.2022, a trader buys a July 28, 2022 European Call Option on Reliance… | SM M13 Illus. 23 · SM p.519 | |
| ★★ | Practical problem: On 29.06.2022, a trader buys a July 28, 2022 European Put Option on Infosys… | SM M13 Illus. 24 · SM p.520 | |
| ★★ | Mr. A buys a July call option with a strike price of ₹3,500 at ₹50 | SM M13 Illus. 25 · SM p.520 | |
| ★★ | Mr. B writes a July call option with a strike price of ₹3,500 at ₹50 | SM M13 Illus. 26 · SM p.521 | |
| ★★ | Mr. C buys a July put option with a strike price of ₹3,500 at ₹50 | SM M13 Illus. 27 · SM p.522 | |
| ★★ | Mr. D writes a July put option with a strike price of ₹3,500 at ₹50 | SM M13 Illus. 28 · SM p.523 | |
| ★★ | Practical problem: A stock is selling at ₹500 | SM M13 Illus. 29 · SM p.526 | |
| ★★ | Practical problem: Mr. B has bought shares of XYZ Ltd. @ ₹3,850 per share | SM M13 Illus. 30 · SM p.528 | |
| ★★ | Practical problem: Mr. C has bought shares of P Ltd. @ ₹310 per share | SM M13 Illus. 31 · SM p.529 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: Mr. C sells short the shares of Q Ltd. at ₹300 per share | SM M13 Illus. 32 · SM p.530 | |
| ★★ | Practical problem: Mr. D sells short the shares of R Ltd. at ₹300 per share | SM M13 Illus. 33 · SM p.530 | |
| ★★ | Practical problem: Mr. PQR buys a Nifty Call with a Strike price ₹ 4,100 at a premium of ₹ 172.45… | SM M13 Illus. 34 · SM p.531 | |
| ★★ | Practical problem: Mr. XYZ sells an ABC Ltd. Put option with a strike price of ₹4,000 at a premium… | SM M13 Illus. 35 · SM p.532 | |
| ★★ | Practical problem: Mr. ABC is bearish on Reliance | SM M13 Illus. 36 · SM p.533 | |
| ★★ | Practical problem: Nifty Bank is presently at 2694 | SM M13 Illus. 37 · SM p.534 | |
| ★★ | Practical problem: Nifty is at 9200 | SM M13 Illus. 38 · SM p.536 | |
| ★★ | Practical problem: Nifty is at 9200 | SM M13 Illus. 39 · SM p.537 | |
| ★★ | Practical problem: A stock is currently trading at ₹500 | SM M13 Illus. 40 · SM p.540 | |
| ★★ | Practical problem: A stock is currently trading at ₹50 | SM M13 Illus. 41 · SM p.541 | |
| ★★ | Practical problem: A stock is currently trading at ₹50 | SM M13 Illus. 42 · SM p.542 | |
| ★★ | Practical problem: The current price of a stock is ₹90 per share | SM M13 Illus. 43 · SM p.543 | |
| ★★ | Kiran, who trades in shares in the spot market, follows the rule "When prices are rising - Buy | SM M13 Illus. 44 · SM p.545 | |
| ★★ | Practical problem: Sundar Ramalingam had entered into 5 Put Options and 5 Call Options in… | SM M13 Illus. 45 · SM p.547 | |
| ★★ | Given the following: Amount (₹) Strike price 200 Current stock price 185 Risk free rate of… | SM M13 Illus. 46 · SM p.548 | |
| ★★ | Practical problem: Stock of Swarup Air Cargo Ltd is currently quoted at ₹112 | SM M13 Illus. 47 · SM p.549 | |
| ★★ | Determine the value of option, both call and put, on expiry for the stock of Nirmal Spice… | SM M13 Illus. 48 · SM p.551 | |
| ★★ | Practical problem: CMC Ltd. shares are presently quoted at 100 | SM M13 Illus. 49 · SM p.551 | |
| ★★ | Practical problem: Fill up the blanks in the following "Break Even Price" table – Case Option… | SM M13 Illus. 50 · SM p.554 | |
| ★★ | Practical problem: Fill up the blanks in the following table --- Case Option Exercise Price (EP)… | SM M13 Illus. 51 · SM p.555 | |
| ★★ | A put and a call option each have an expiration date 6 months hence and an exercise price ₹9 | SM M13 Illus. 52 · SM p.556 | |
| ★★ | Practical problem: Shoaib is furnished with the following information about securities of two… | SM M13 Illus. 53 · SM p.557 | |
| ★★ | Practical problem: On 19th July Following are the spot rates – Spot USD/ EUR 1.20000 and INR/ USD… | SM M13 Illus. 54 · SM p.558 | |
| ★★ | Fund Managers anticipate a big move in the stock of Bikram Ltd. Anup of ABC Fund believes such… | SM M13 Illus. 55 · SM p.559 | |
| ★★ | Practical problem: Ascertain the value of Call Options expiring one year later, of four securities… | SM M13 Illus. 56 · SM p.561 | |
| ★★ | Practical problem: Ascertain the value of Options expiring one year later, for the following… | SM M13 Illus. 57 · SM p.562 | |
| ★★ | Stock of Kamla Woodwork is currently quoted at ₹110 | SM M13 Illus. 58 · SM p.564 | |

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Nirmal hydric Ltd. (NHL) is a newly listed Company | SM M13 Illus. 59 · SM p.565 | |
| ★★ | Calculate the price of a three –month European put option on a non dividend - paying stock… | SM M13 Illus. 61 · SM p.568 | |
| ★★ | What difference does it make to your calculation in previous Illustration if a dividend of… | SM M13 Illus. 62 · SM p.569 | |
| ★★ | Consider a European call option on a stock when there are ex-dividend dates in two months and… | SM M13 Illus. 63 · SM p.569 | |
| ★★ | Price of a European put option on a non-dividend-paying stock when the stock price is ₹ 69,… | SM M13 Illus. 64 · SM p.570 | |
| ★★ | Call option: break-even price and profit ranges for buyer and writer | Workbook ch.8 illustration 1 · WB p.76 | |
| ★★ | Put option: break-even price, profit ranges and buyer's maximum loss | Workbook ch.8 illustration 2 · WB p.76 | |
| ★★ | Strangle (long call and long put): profit or loss at three expiry prices | Workbook ch.8 illustration 3 · WB p.77 | |
| ★★ | Intrinsic value and time value of three calls and three puts | Workbook ch.8 illustration 4 · WB p.77 | |
| ★★ | Lower bound of a European put | Workbook ch.8 illustration 5 · WB p.78 | |
| ★★ | Short call and short put on the dollar: price range for the dealer's profit | Workbook ch.8 illustration 6 · WB p.78 | |
| ★★ | Arbitrage with an in-the-money call near expiry | Workbook ch.8 illustration 7 · WB p.78 | |
| ★★ | Payoff of a written index call at expiry | Workbook ch.8 illustration 10 · WB p.79 | |
| ★★ | Protective put versus short futures: realised price at different expiry prices | Workbook ch.8 illustration 15 · WB p.82 | |
| ★★ | Put values by put-call parity for several stocks and the arbitrage to do | Workbook ch.8 illustration 17 · WB p.84 | |
| ★★ | Call and put values by Black-Scholes | Workbook ch.8 illustration 18 · WB p.85 | |
| ★ | Practical problem: Shares of M Ltd. are currently trading at ₹190 | SM M13 exercise sum 4 · SM p.610 | |
| ★ | Practical problem: The following information is given | SM M13 exercise sum 5 · SM p.610 | |
| ★ | Practical problem: The following quotes are available for 3-months options in respect of a share… | SM M13 exercise sum 6 · SM p.610 | |
| ★ | Practical problem: A share is currently priced at ₹600 | SM M13 exercise sum 8 · SM p.611 | |
| ★ | Practical problem: Name the most appropriate combined trading strategy on the stock of PQ Ltd. in… | SM M13 exercise sum 10 · SM p.611 | |

★ **SM exercise (if time):** M13 short essay 5 (p.603): Types of Option Contracts · M13 short essay 7 (p.603): In-the-money', at-the-money' and 'out-of-the-money' options · M13 short essay 8 (p.603): Difference between Intrinsic Value and Time Value of an option contract · M13 MCQ (not in the bank) 6 (p.605): A call option at a strike price of ₹ 200 is selling at a premium of ₹ 24 · M13 MCQ (not in the bank) 7 (p.605): Practical problem: An investor is bullish about X Ltd. which trades in the spot market at ₹ 1,150 · M13 MCQ (not

in the bank) 8 (p.605): M buys a call option contract for a premium of ₹ 200 · M13 MCQ (not in the bank) 9 (p.605): Practical problem: Presently, a company's share price is ₹ 120 · M13 MCQ (not in the bank) 10 (p.605): A stock is currently selling at ₹ 270 · M13 MCQ (not in the bank) 11 (p.605): The spot Value of Nifty is 4430 · M13 MCQ (not in the bank) 12 (p.605): The option is · M13 MCQ (not in the bank) 16 (p.606): Which of the following is not an assumption of Black-Scholes Model · M13 MCQ (not in the bank) 17 (p.606): When the spot price decreases, the value of a call option Financial Derivatives - Instruments... · M13 MCQ (not in the bank) 19 (p.607): A stock is currently sells at ₹ 350 · M13 MCQ (not in the bank) 21 (p.607): What should be the price of call, if value of a put ₹ 5, strike price ₹ 100, rate of interest... · M13 MCQ (not in the bank) 22 (p.607): An investor purchases a July Call Option of X Ltd. with a strike price of ₹ 100 for a premium... · M13 MCQ (not in the bank) 23 (p.607): In a put-call parity, the pay-offs of buying stock can be replicated by · M13 MCQ (not in the bank) 24 (p.608): A stock is currently sells at ₹ 350 · M13 MCQ (not in the bank) 25 (p.608): The spot value of NIFTY is 6430 · M13 MCQ (not in the bank) 26 (p.608): Practical problem: Shares of C Ltd. is traded at ₹ 1,150 · M13 MCQ (not in the bank) 29 (p.608): If you sell a call option on a share with a strike price of ₹ 375, market price of ₹ 360, and...

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q126, Q127, Q129, Q130, Q134, Q138, Q139, Q163, Q164, Q166, Q167, Q168, Q169, Q189

## 13.4 Swaps

SM pp. 571–583 · marks per attempt: **J26-7 · J23-2** · Dec'26 forecast: tier **B**, about **7** marks when it comes, chance it comes **35%** (Q6(b) rotation)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Interest rate swap through a dealer: comparative advantage, commission, sharing the gain. [REPEAT+PRACTICE · J26 Q6(b); MQP Q6(b); postal Q8]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Interest rate swap with bank commission, 60:40 gain sharing | J26 Q6(b) · 7 m · asked in 2 papers | same problem: SM M13 exercise sum 9 (SM p.611; solution there) |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★ | (vi) Plain Vanilla interest rate swaps involved (A) Fixed to Fixed rate Swap (B) Fixed to Floating rate Swap (C) Floating to Floating rate Swap (D) Currency Swap | J23 Q1(vi) · MQP Q6(b) · POSTAL Q8 · 2 m · asked in 2 papers | |

**Problems to solve (10): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Practical problem: Companies X and Y want to raise US 50 million each | SM M13 exercise sum 9 · SM p.611 | J26 Q6(b) |
| ★★ | Practical problem: A bank has agreed to pay six-month LIBOR and receive 8 percent per annum (with... | SM M13 Illus. 65 · SM p.576 | |
| ★★ | Practical problem: United Bankers Ltd offer the following interest rates to two of its customers... | SM M13 Illus. 66 · SM p.577 | |
| ★★ | Practical problem: Structure of a swap arrangement in the following situations and also ascertain... | SM M13 Illus. 67 · SM p.578 | |
| ★★ | Practical problem: Companies X and Y face the following interest rates | SM M13 Illus. 68 · SM p.579 | |
| ★★ | Practical problem: Companies PQR and DEF have been offered the following rate per annum on a 200... | SM M13 Illus. 69 · SM p.580 | |
| ★★ | Company A has outstanding debt on which it currently pays fixed rate of interest at 9.5% | SM M13 Illus. 70 · SM p.581 | |
| ★★ | Interest rate swap between a strong and a weak borrower, gain shared 2:1 | Workbook ch.8 illustration 19 · WB p.86 | |
| ★ | MUMBAI LTD | SM M13 exercise sum 3 · SM p.610 | |
| ★ | Y, a British firm with a US subsidiary, seeks to refinance some of its existing British pound... | SM M13 exercise sum 7 · SM p.611 | |

★ **SM exercise (if time):** M13 short essay 9 (p.603): Types of Credit Default Swap · M13 short essay 10 (p.603): Credit Default Swaps be used for hedging

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q140, Q192

## 13.5 Interest Rate Derivatives – Forward Rate Agreement, Interest Rate Futures and Options, Caps, Floors and Collars

SM pp. 584–600 · **never asked in the seven papers** · Dec'26 forecast: tier **B**, about **7** marks when it comes, chance it comes **20%** (Q6(b) rotation)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Forward rate agreement settlement, interest-rate cap / floor / collar: net cost or savings. [NEVER · never examined; MQP Q6(b) swap vs cap; postal Q4(b), Q5(a)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | FRA on a rolled-over loan | POSTAL Q4(b)(ii) · 6 m | |
| ★ | Caps and floors: net savings | POSTAL Q5(a) · 8 m | |
| ★ | Notes: interest rate cap; hedging | POSTAL Q5(b) · 8 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Interest rate cap payoff | PTP Q1(x) · 2 m | |

**Problems to solve (5): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: Consider that a bank sells a 3 × 6 FRA worth 3,00,00,000 | SM M13 Illus. 71 · SM p.586 | |
| ★★ | MNC rolls over a 25 million loan priced at LIBOR on a three-month basis | SM M13 Illus. 72 · SM p.587 | |
| ★★ | Practical problem: Amit Company has borrowed 200 million on floating basis for 3 years | SM M13 Illus. 73 · SM p.592 | |
| ★★ | Practical problem: A fund manager Mr. Adittya deposited 200 million on floating basis for 3… | SM M13 Illus. 74 · SM p.593 | |
| ★★ | Practical problem: DY has purchased ₹400 million cap (i.e., call options on interest rates) of 9%… | SM M13 Illus. 75 · SM p.593 | |

★ **SM exercise (if time):** M13 solved case 1 (p.594): Practical problem: Fashion Ltd. manufactures cruiser bikes for export to Americana and Europe · M13 short essay 6 (p.603): Interest Rate Collars

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q132

## 14.1 International Financial Institutions and Markets

SM pp. 617–620 · marks per attempt: **D24-5 · D23-5** · Dec'26 forecast: tier **B**, about **5** marks when it comes, chance it comes **30%** (Q8(b) list)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Major initiatives of the World Bank / lending schemes of the IMF (5 marks). [ROTATION · D23, D24 Q8(b) (both December papers); MQP Q8(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Briefly append the various lending schemes of International Monetary Fund (IMF). *(any five)* [5 Marks] | D24 Q8(b) · 5 m | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Identify the major initiatives taken by the World Bank *(any five)*. [5 Marks] | D23 Q8(b) · MQP Q8(b) · 5 m | |

★ **SM exercise (if time):** M14 short essay 1 (p.631): Various lending schemes of IMF · M14 short essay 2 (p.631): Major initiatives of the World Bank · M14 essay 5 (p.631): International stock market · M14 essay 6 (p.631): International bond market

## 14.2 Sources of Foreign Currency

SM pp. 621–629 · marks per attempt: **J26-7 · D25-7 · J25-5 · J24-5** · Dec'26 forecast: tier **B**, about **5** marks when it comes, chance it comes **80%** (Q8(b) list + MCQ (xii))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Features of GDRs / ADRs; types of foreign bonds (Yankee, Samurai, Bulldog) (5 marks). [REPEAT · J24, J25, D25, J26 Q8(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | "ADRs act as a bridge between foreign companies and U.S. investors." – In this context, append the concept of ADR and discuss its advantages. [5] | J26 Q8(b) · 5 m · asked in 3 papers | |
| ★★★ | 8. (b) "Global Depository Receipt (GDR) is a tool for Global Capital."— In this Context, append the key features of Global Depository Receipts. [5] | J24 Q8(b) · D25 Q8(b) · PTP Q1(xii) · 5 m · asked in 3 papers | |
| ★★ | Briefly append the different types of Foreign Bonds. [5] | J25 Q8(b) · MQP Q1(xi) · POSTAL Q1(ix) · 5 m · asked in 2 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xii) Which of the following is / are feature(s) of Global Depository Receipts (GDRs)? [2] (A) Returns (B) Globally Marketed (C) Both (A) and (B) (D) Not negotiable | D25 Q1(xii) · 2 m · asked in 3 papers | |
| ★★ | (xii) A Multinational Corporation raises short to medium-term funds in international market by issuing unsecured debt instruments denominated in a foreign currency and placed outside the jurisdiction of any single country. What kind of such instruments are referred? [2] (A) Foreign Bonds (B) Euro Notes (C) FCCBS (D) ADRs | J26 Q1(xii) · 2 m · asked in 2 papers | |

**Problems to solve (1): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | GDR Issue A Ltd. is considering an expansion project in USA | SM M14 Illus. 1 · SM p.628 | |

★ **SM exercise (if time):** M14 MCQ (not in the bank) 4 (p.630): A dollar dominated bond issued for global market by a non-US entity · M14 short essay 3 (p.631): Different types of foreign bonds · M14 short essay 4 (p.631): Foreign Currency Convertible Bonds · M14 short essay 5 (p.631): Syndicated Credits · M14 essay 1 (p.631): Different types of Euro Notes · M14 essay 2 (p.631): Benefits of Depository Receipts · M14 essay 3 (p.631): ADR · M14 essay 4 (p.631): GDR

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q141, Q142, Q143, Q144, Q145, Q147

## 15.1 Introduction – Structure of Foreign Exchange Market

SM pp. 635–638 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (MCQ)

★ **SM exercise (if time):** M15 MCQ (not in the bank) 1 (p.671): Arbitrageur in a foreign exchange market · M15 MCQ (not in the bank) 2 (p.671): Indirect rate in foreign exchange market means · M15 MCQ (not in the bank) 4 (p.671): The transaction where the exchange of currencies takes place 2 days after the date of the... · M15 MCQ (not in the bank) 7 (p.671): Which of the following is a function of foreign exchange market · M15 short essay 1 (p.673): Foreign exchange market · M15 short essay 2 (p.673): Functions of foreign exchange market

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q146

## 15.2 Foreign Exchange Rate - Meaning, Determinants, Equilibrium Exchange Rate, Exchange Rate Quotations - Meaning, Direct vs. Indirect Quote, American vs. European Quote, Bid-Ask Rate and Spread, Cross Rates

SM pp. 639–646 · marks per attempt: **J26-7 · D25-2 · D24-9 · J24-2 · J23-2** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **85%** (Q7 forex sum + MCQ (xiii))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Cross rate from two-way quotes, % appreciation / depreciation; delayed remittance or extension of a forward contract with exchange margin. [REPEAT+PRACTICE · J26 Q7(a), D24 Q7(b); PTP Q7(a), Q7(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | EUR/INR cross rate, arbitrage on a receivable, % appreciation | J26 Q7(a) · 7 m · asked in 3 papers | |
| ★★★ | Two-way quotes: % change, conversions, encash now or later | D24 Q7(b) · 7 m · asked in 2 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xiii) The actual exchange rates are available at the market as follows: EUR/USD : EUR 1 = 1.1201 – 1.1216 INR/USD : ₹ 1 = 0.0116 – 0.0118 What will be the cross rate between EUR/INR? [2] (A) ₹ 94.9237 / 96.6897 (B) ₹ 94.9287 / 95.7071 (C) ₹ 96.5603 / 96.7075 (D) None of the above | D25 Q1(xiii) · 2 m · asked in 3 papers | |
| ★★★ | (v) MR. GORG is a forex dealer in India. Rates of Rupee and Euro in the International Market are US 0·012572 and US 1·117294 respectively. What will be his direct quote of € (Euro) to his customers? (Calculation upto 3 decimal points.) (A) ₹ 85·925 (B) ₹ 88·872 (C) ₹ 89·125 (D) ₹ 90·312 | J23 Q1(v) · 2 m · asked in 3 papers | |
| ★★ | (iii) The spot and 6 months forward rates of £ in relation to the rupee (₹ / £) are ₹ 77.9542 / 78.1255 and ₹ 78.8550 / 9650 respectively. What will be annualized forward margin (Premium with respect to Ask Price)? (A) 2.31 % (B) 1.80 % (C) 2.15 % (D) None of the above [2 Marks] | D24 Q1(iii) · 2 m · asked in 2 papers | |
| ★★ | (xi) DAZON Ltd. an export customer who relied on the Inter-bank rate of ₹ / US 82.45 / 10 requested his banker to purchase a bill US 90,000. What is the rate to be quoted to DAZON Ltd., if the banker wants a margin of 0.20%? (Calculation up to 2 decimal points) (A) ₹ 81.90 (B) ₹ 82.15 (C) ₹ 82.29 (D) ₹ 82.80 [2] | J24 Q1(xi) · PTP Q1(xiii) · PTP Q7(a) · 2 m · asked in 2 papers | |
| ★ | Determinants of exchange rates | MQP Q1(xiii) · 2 m | |

**Problems to solve (6): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Bank buying and selling a dollar quote: exporter's receipt, importer's cost, bank margin | Workbook ch.9 illustration 1 · WB p.87 | |
| ★★ | Which side of two-way dollar and pound quotes applies to importers, exporters and remitters | Workbook ch.9 illustration 2 · WB p.87 | |
| ★★ | Yen and rupee conversions from a two-way quote | Workbook ch.9 illustration 3 · WB p.88 | |
| ★★ | Dollar-pound and pound-dollar cross rates from two rupee quotes | Workbook ch.9 illustration 6 · WB p.89 | |
| ★★ | Rupee TT selling rate for a legacy currency through euro and dollar crosses | Workbook ch.9 illustration 7 · WB p.89 | |
| ★ | Practical problem: The following quotes are available | SM M15 exercise sum 1 · SM p.679 | |

★ **SM exercise (if time):** M15 MCQ (not in the bank) 3 (p.671): In foreign exchange markets, 'American Quotation' refers to · M15 MCQ (not in the bank) (list 2) 8 (p.675): Practical problem: The dollar is currently trading at ₹40 · M15 MCQ (not in the bank) (list 2) 14 (p.676): Practical problem: You are a forex dealer in India · M15 MCQ (not in the bank) (list 2) 20 (p.677): Practical problem: The spot rate is USD 1 = ₹ 75.4035/75.9848 · M15 MCQ (not in the bank) (list 2) 21 (p.677): Practical problem: The spot and 3 months' forward rates of US in relation to Rupee (₹ /1 US )... · M15 MCQ (not in the bank) (list 2) 22 (p.677): Practical problem: An Indian invested USD 1,00,000 in USA when the US was ₹ 72 · M15 MCQ (not in the bank) (list 2) 25 (p.677): The spot rate of the US dollar is ₹ 65.00/USD and the four month forward rate is 65.90/USD

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q148, Q149, Q161, Q212, Q220, Q221, Q223, Q224, Q225

## 15.3 Segments of Foreign Exchange Market - Spot Market (including two and three-point Arbitrage), Forward Market

SM pp. 647–649 · marks per attempt: **J26-2 · D25-7 · D23-7** · Dec'26 forecast: tier **B**, about **7** marks when it comes, chance it comes **60%** (Q7 forex sum + MCQ)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Triangular arbitrage between three currencies: steps and profit. [REPEAT+PRACTICE · D25 Q7(a); MQP Q7(a) (same wording)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | EUR/INR cross rate, arbitrage on a receivable, % appreciation (listed under 15.2 too) | J26 Q7(a) · 7 m · asked in 3 papers | |
| ★★★ | Triangular arbitrage GBP/USD/INR: steps and profit | D25 Q7(a) · MQP Q7(a) · 7 m · asked in 3 papers | |
| ★ | Invest 6 months in a UK index fund or Euro T-bills (forward rates) | D23 Q7(a) · 7 m | |
| ★ | Extension of a forward contract | PTP Q7(b) · 7 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xiii) A dealer observes spot mid-rates: ₹ / USD = 83.65, ₹ / GBP = 102.40, GBP / USD = 1.2270. He wants to trade USD 10,00,000 by USD via GBP at the implied cross rate, then immediately selling USD for INR at the Direct ₹ / USD rate. What is the approximate arbitrage profit in INR? [2] (A) ₹ 1.80 Lakh (B) ₹ 1.95 Lakh (C) ₹ 2.00 Lakh (D) None of the above | J26 Q1(xiii) · 2 m · asked in 3 papers | |

**Problems to solve (7): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Forward rates from swap points (premium and discount) | Workbook ch.9 illustration 4 · WB p.88 | |
| ★★ | Annualised forward premium from spot and six-month forward | Workbook ch.9 illustration 5 · WB p.89 | |
| ★★ | Cover rate for a spot sale through the dollar and the profit or loss | Workbook ch.9 illustration 8 · WB p.90 | |
| ★★ | Three-currency (triangular) arbitrage | Workbook ch.9 illustration 12 · WB p.92 | |
| ★ | Practical problem: As a dealer in the bank, you observed the following quotes in the market | SM M15 exercise sum 3 · SM p.680 | |
| ★ | Practical problem: The spot quotation placed by a bank in New York is 0.6650 - 0.6662/C. On the... | SM M15 exercise sum 9 · SM p.681 | |
| ★ | Practical problem: RB Alliance sold Omani Rial 3,22,500 value spot to your customer at ₹167.43 per... | SM M16 exercise sum 1 · SM p.711 | |

★ **SM exercise (if time):** M15 MCQ (not in the bank) 5 (p.671): The buying rate is also known as · M15 short essay 4 (p.673): Currency arbitrage · M15 MCQ (not in the bank) (list 2) 1 (p.673): The 6-month forward rate for US dollar against Rupee is quoted as ₹49.50 as

opposed to a spot… · M15 MCQ (not in the bank) (list 2) 5 (p.674): Practical problem: The following various currency quotes are available from a leading Indian Bank · M15 MCQ (not in the bank) (list 2) 7 (p.674): Practical problem: Given, ₹/£ 81.31/81.33 £/: £0.6491/0.6498 /¥: 0.01098/0.01102 The rate at… · M15 MCQ (not in the bank) (list 2) 9 (p.675): Practical problem: If the following rates are prevailing · M15 MCQ (not in the bank) (list 2) 10 (p.675): Practical problem: Spot (Euro/Pound) = 1.6543/1.6557 Spot (Pound/NZ ) = 0.2786/0.2800 What is the… · M15 MCQ (not in the bank) (list 2) 15 (p.676): Practical problem: A Ltd., an export customer requested his banker B to purchase a bill for USD… · M15 MCQ (not in the bank) (list 2) 16 (p.676): Practical problem: From the following quotes of a bank, determine the rate at which Yen can be… · M15 MCQ (not in the bank) (list 2) 17 (p.676): Practical problem: The spot and 6 months forward rates of US dollar in relation to the rupee (₹… · M15 MCQ (not in the bank) (list 2) 19 (p.676): Practical problem: The following various currency quotes are available · M15 MCQ (not in the bank) (list 2) 26 (p.678): The following statement is true in the context of rupee-dollar exchange rate with ri denoting… · M15 MCQ (not in the bank) (list 2) 33 (p.679): Practical problem: The following rates are prevailing · M15 MCQ (not in the bank) (list 2) 34 (p.679): Practical problem: The following rates appear in the foreign exchange market

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q151, Q226

## 15.4 Foreign Currency Derivatives

SM pp. 650–659 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (MCQ)

**Problems to solve (5): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Practical problem: With the data as given below, find the price of the call option | SM M15 Illus. 2 · SM p.656 | |
| ★★ | Practical problem: D Ltd., an U.S. company, is looking to hedge some of its euro exposure by… | SM M15 Illus. 3 · SM p.657 | |
| ★★ | Practical problem: D Ltd. decides that it prefers to borrow floating-rate euros instead of… | SM M15 Illus. 4 · SM p.658 | |
| ★★ | Practical problem: F Ltd. B Ltd. Difference Floating rate on dollar LIBOR + 0.8 per cent LIBOR +… | SM M15 Illus. 5 · SM p.658 | |
| ★ | Practical problem: A trader buys a put option in euros at an exercise price of 1.2480 per euro | SM M15 exercise sum 8 · SM p.681 | |

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q171, Q190, Q227

## 15.5 Parity Relationships

SM pp. 660–670 · marks per attempt: **J26-2 · D25-2 · J25-9 · D23-2** · Dec'26 forecast: tier **A**, about **2** marks when it comes, chance it comes **95%** (MCQ (xiv) + Q7 rotation)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Forward rate by interest-rate parity; expected spot by PPP; nominal rates by Fisher. [REPEAT · J25 Q7(b); MCQ (xiv) D25 + J26]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Nominal rates (Fisher), IRP forward, PPP expected spot | J25 Q7(b) · 7 m · asked in 4 papers | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xiv) Interest rate on Indian Rupee and pound sterling are 8\% p.a. and 5\% p.a. respectively. If the current exchange rate is ₹ 112 / £, what will be the 6 Month forward rate? [2] (A) ₹ 113.64 (B) ₹ 114.10 (C) ₹ 108.34 (D) ₹ 115.50 | J26 Q1(xiv) · 2 m · asked in 4 papers | same problem: SM M15 Illus. 9 (SM p.665; solution there) |
| ★★★ | (xiv) ___ explains the relationship between inflation rate differential and the expected spot rate. [2] (A) Interest Rate Parity (IRP) (B) Fisher Effect (FE) (C) International Fisher Effect (IFE) (D) Purchasing Power Parity (PPP) | D25 Q1(xiv) · 2 m · asked in 4 papers | |
| ★★★ | (ix) The Spot exchange rate is 0.01182/₹ and the six month forward exchange rate is 0.01190/₹. If the normal rate of India 6 months T-Bills is 6% p.a., what would be the normal rate of US 6 month T-Bills? (A) 7.40% (B) 6.50% (C) 7.00% (D) 7.80% [2] | J25 Q1(ix) · 2 m · asked in 4 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xiii) The 90-day interest rate is 1.85% in USA and 1.35% in the UK and the current spot exchange rate is 1.6/1£. The 90-day forward rate is (A) 0.62808 (B) 1.592145 (C) 1.607893 (D) 1.342132 [2 Marks] | D23 Q1(xiii) · MQP Q1(xiv) · PTP Q1(xiv) · 2 m · asked in 4 papers | |

**Problems to solve (18): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★★ | Interest rates on Indian rupee and pound sterling are 8% p.a | SM M15 Illus. 9 · SM p.665 | J26 Q1(xiv) |
| ★★ | Inflation rates in the UK and India are respectively 3 per cent and 6 per cent per annum | SM M15 Illus. 6 · SM p.662 | |
| ★★ | The inflation rates in India and the UK are 2.5 per cent and 5.5 per cent respectively | SM M15 Illus. 7 · SM p.663 | |
| ★★ | The inflation rates in India and the USA are 5 per cent and 4 per cent respectively | SM M15 Illus. 8 · SM p.663 | |
| ★★ | Practical problem: The interest rate in the United States is 10%; in Japan, the comparable rate is… | SM M15 Illus. 10 · SM p.665 | |
| ★★ | Exchange rate between Rupee and Swiss franc is ₹33/SFr at the reference period and the forward… | SM M15 Illus. 11 · SM p.666 | |
| ★★ | Suppose, the interest rate on pound sterling is 12% p.a | SM M15 Illus. 12 · SM p.666 | |
| ★★ | Assume that the real interest rate is 5.5% and the rate of inflation changes from 2.5% to 3.5% | SM M15 Illus. 13 · SM p.668 | |
| ★★ | Interest rate parity: fill in forward rates, interest rates and premiums | Workbook ch.9 illustration 11 · WB p.91 | |
| ★★ | Covered interest arbitrage gain | Workbook ch.9 illustration 13 · WB p.93 | |
| ★★ | Purchasing power parity: exchange rate now and after a year of inflation | Workbook ch.9 illustration 14 · WB p.94 | |
| ★ | Practical problem: You are given the following information | SM M15 exercise sum 2 · SM p.680 | |
| ★ | Practical problem: Fill the blanks in the following table | SM M15 exercise sum 4 · SM p.680 | |
| ★ | Practical problem: You are told that the spot rate is £/ 1.8313 | SM M15 exercise sum 5 · SM p.680 | |
| ★ | Practical problem: You are given the following information | SM M15 exercise sum 6 · SM p.680 | |
| ★ | Practical problem: The spot rate is ₹45.00 per . inflation rate in India and USA are expected to… | SM M15 exercise sum 7 · SM p.681 | |
| ★ | Suppose the current inflation rate in USA is 7%, while it is 5% in France | SM M15 exercise sum 10 · SM p.681 | |
| ★ | Suppose the interest rate on pound sterling is 9% in the UK, while that of a compatible dollar… | SM M15 exercise sum 11 · SM p.681 | |

★ **SM exercise (if time):** M15 MCQ (not in the bank) 6 (p.671): Which of the following is not an assumption of perfect capital market · M15 short essay 3 (p.673): Following terms · M15 short essay 5 (p.673): Covered interest arbitrage · M15 essay 1 (p.673): Purchasing power parity' theory · M15 essay 2 (p.673): Interest rate parity' theory · M15 essay 3 (p.673): Fisher effect' and 'International Fisher effect · M15 MCQ (not in the bank) (list 2) 11 (p.675): Practical problem: The 90 day interest rate is 1.85% in USA and 1.35% in the UK and the current… · M15 MCQ (not in the bank) (list 2) 23 (p.677): Practical problem: An Indian Company is planning to invest in USA. The annual rates of inflation… · M15 MCQ (not in the bank) (list 2) 29 (p.678): In July, the one year interest rate is 4% on Swiss Francs and 13% on US dollars · M15 MCQ (not in the bank) (list 2) 30 (p.678): Practical problem: Between 2000 and 2015, the ¥/ exchange rate moved from ¥226.63 to ¥93.96 · M15 MCQ (not in the bank) (list 2) 31 (p.678): Practical problem: The 90-day interest rate is 1.85% in USA and 1.35% in the UK and the current… · M15 MCQ (not in the bank) (list 2) 32 (p.679): Practical problem: The current spot rate for the U.S. dollar is ₹ 66

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q150, Q179, Q219, Q222

## 16.1 Transaction Exposure

SM pp. 685–692 · marks per attempt: **J26-7 · D25-7 · J25-7 · D24-7 · J24-14 · D23-7 · J23-16** · Dec'26 forecast: tier **A**, about **7** marks when it comes, chance it comes **99%** (Q7 hedging sum)

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. A payable (or receivable) in foreign currency: compare the forward, money-market and option hedges (and no hedge) and advise. [REPEAT+PRACTICE · In every paper since Dec'23; MQP Q7(b) money market vs forward]
2. Choose the currency of invoicing for an export and an import, using the forward premiums. [REPEAT · J24 Q7(b); postal MCQ]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | Yen payable and USD receivable: forward vs money market hedge | J26 Q7(b) · 7 m · asked in 7 papers | |
| ★★★ | USD payable: forward vs money market vs option (two scenarios) | D25 Q7(b) · 7 m · asked in 7 papers | |
| ★★★ | USD payable: forward vs call option vs EUR cross route | J25 Q7(a) · 7 m · asked in 7 papers | |
| ★★★ | Net EUR exposure: forward vs money market vs option hedge | D24 Q7(a) · 7 m · asked in 7 papers | |
| ★★★ | Yen payable: forward cover vs currency option | J24 Q7(a) · 7 m · asked in 7 papers | |
| ★★★ | Choose the invoicing currency for an export and an import (forward premiums) | J24 Q7(b) · POSTAL Q1(viii) · 7 m | |
| ★★★ | Export receivable: forward vs currency futures vs no hedge | D23 Q7(b) · 7 m · asked in 7 papers | |
| ★★★ | Two CAD payables: forward cover; Option cover (contracts, premium, uncovered balance); Recommend forward or option | J23 Q7(b)(i)(ii)(iii) · MQP Q7(b) · 8 m · asked in 7 papers | |
| ★ | USD import: pay on day 60 with a bank loan; or take 90 days' supplier credit; Advice | J23 Q7(a)(i)(ii)(iii) · 8 m | |

**Problems to solve (5): SM illustrations, SM exercise sums, ICMAI workbook**

| Priority | Problem (what it asks) | Where | Came in the exam |
|---|---|---|---|
| ★★ | Pay an import bill now or after three months: compare costs with forward cover | Workbook ch.9 illustration 10 · WB p.91 | |
| ★ | Practical problem: HDIL Ltd. is a listed real estate development company in India, with… | SM M16 exercise sum 2 · SM p.711 | |
| ★ | Practical problem: A company is considering hedging its foreign exchange risk | SM M16 exercise sum 3 · SM p.712 | |
| ★ | Practical problem: An Indian importer has a payable of £100,000 | SM M16 exercise sum 4 · SM p.712 | |
| ★ | Practical problem: An exporter in UK is expecting to receive Euro 1 million after 3 months | SM M16 exercise sum 5 · SM p.712 | |

★ **SM exercise (if time):** M15 MCQ (not in the bank) (list 2) 24 (p.677): X imports goods from USA · M16 MCQ (not in the bank) 1 (p.708): The firm producing and selling in domestic market may face following risk when the economy is… · M16 MCQ (not in the bank) 2 (p.708): Hedging through 'currency of invoicing' results in · M16 MCQ (not in the bank) 3 (p.708): Which of the following is an internal hedging technique · M16 MCQ (not in the bank) 4 (p.708): Hedge ratio is the · M16 MCQ (not in the bank) 5 (p.708): Which of the following is not an appropriate hedging strategy for a likely devaluation of a… · M16 short essay 1 (p.709): Transaction Exposure · M16 short essay 4 (p.709): Name the internal techniques of managing transaction exposures · M16 essay 1 (p.709): Internal techniques of management of transaction exposure · M16 essay 2 (p.709): External techniques of management of transaction exposure · M16 MCQ (not in the bank) (list 2) 1 (p.710): Practical problem: An Indian company's cost of production is ₹20/unit while its export price is … · M16 MCQ (not in the bank) (list 2) 2 (p.710): Practical problem: The foreign exchange market prices for US dollar () against Indian rupees (₹)… · M16 MCQ (not in the bank) (list 2) 3 (p.710): Practical problem: In September, 2021, X Ltd. assessed the March, 2022 spot rate for pound…

## 16.2 Translation Exposure

SM pp. 693–694 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (-)

★ **SM exercise (if time):** M16 short essay 2 (p.709): Translation Exposure · M16 short essay 5 (p.709): Balance Sheet Hedge · M16 essay 3 (p.709): Various rules of translation · M16 essay 4 (p.709): Different methods of management of translation exposure

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q51

## 16.3 Operating Exposure

SM pp. 695–707 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **5%** (-)

★ **SM exercise (if time):** M16 solved case 1 (p.707): Be very conservative · M16 short essay 3 (p.709): Operating Exposure · M16 essay 5 (p.709): Methods of managing operating exposure

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q218

## 17.1 17.1 Meaning, Traditional Finance vs. Digital Finance

SM pp. 717–719 · marks per attempt: **J24-5** · Dec'26 forecast: tier **B**, about **5** marks when it comes, chance it comes **20%** (Q8(a) rotation)

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Briefly append the advantage of Digital Financial Services. [5] | J24 Q8(a) · 5 m | |

★ **SM exercise (if time):** M17 short essay 1 (p.737): Three advantages of Digital Finance · M17 short essay 2 (p.737): Components of Digital Finance · M17 essay 1 (p.737): Digital Finance Landscape · M17 essay 4 (p.737): Various elements of digital infrastructure · M17 essay 5 (p.737): Digital finance different from traditional finance

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q232

## 17.2 Digital Finance Ecosystem

SM pp. 720–731 · marks per attempt: **J26-7 · D25-7 · J25-7 · D24-9 · J24-4 · D23-9 · J23-8** · Dec'26 forecast: tier **B**, about **5** marks when it comes, chance it comes **95%** (Q8(a) list + MCQ (xv))

**OUR DEC'26 CALLS FOR THIS TOPIC**

1. Central bank digital currency / stablecoins / neo-banks / UPI: meaning, features, benefits (5 marks). [REPEAT · Q8(a) digital finance in all 6 papers; MQP Q8(a) neo-banks]
2. Components of digital infrastructure (5 marks). [PRACTICE · PTP Q8(a); J23 Q3(b)]

**Long questions and sums asked (past papers and ICMAI practice papers)**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | 8. (a) "A Stablecoin is a tokenized version of the asset." — In this context, align the variants of Stablecoin. [5] | D23 Q8(a) · J25 Q8(a) · 5 m · asked in 4 papers | |
| ★★★ | Briefly discuss the components of Digital Infrastructure. [6] | J23 Q3(b) · 6 m · asked in 2 papers | |
| ★★ | In the Context of Digital Finance, what is the Central Bank Digital Currency (CBDC)? Align the Potential Advantages of Central Bank Digital Currency (CBDC). [5] | D25 Q8(a) · 5 m · asked in 2 papers | |
| ★ | "The Digital Finance Cube captures various technology-enabled financial activities through its business function dimension." – In this context, explain the constituents of digital finance business functions. [5] | J26 Q8(a) · 5 m | |
| ★ | What do you mean by Neo-Bank ? Align the benefits of Neo-Banks. [5 Marks] | D24 Q8(a) · MQP Q8(a) · 5 m | |

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (xv) Stablecoins are designed to maintain a stable value by [2] (A) being pegged to a volatile asset like stocks. (B) backing the coin with a reserve of traditional assets, such as fiat currency. (C) allowing the coin to fluctuate based on market demand. (D) tying the coin's value to gold and silver only. | J26 Q1(xv) · 2 m · asked in 4 papers | |

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★★★ | (vi) Which one of the following Digital Assets, is a Cryptocurrency which is pegged to any reserve asset like a fiat currency, commodity or other Cryptocurrencies ? (A) Non-Fungible Token (N FT) (B) Electronic Mail (C) Private Cryptocurrency (D) Stablecoin [2 Marks] | D24 Q1(vi) · 2 m · asked in 4 papers | |
| ★★ | (xv) Which one of the following examples of cryptocurrencies, takes its name from an internet meme featuring a Shiba Inu Dog? [2] (A) Litecoin (B) Dogecoin (C) Bitcoin (D) Ethereum | D25 Q1(xv) · 2 m · asked in 2 papers | |
| ★★ | (x) Which of the following components of Digital Infrastructure is/are a messenger(s) that process request and ensures seamless functioning of enterprise systems? (A) Internet (B) Cloud Services (C) Data Centres and Networks (D) API (Application Programming Interface) [2] (xi) The Sharpe's ratio and Treynor's ratio of RITN Growth Fund are 0.35 and 6.50 respectively. The correlation co-efficient between returns of the fund and the market index is 0.60. The standard deviation of the market index's return approximately is (A) 11.42% (B) 11.14% (C) 13.45% (D) None of the above [2] (xii) Which of the following statement(s) is/are true concerning all the three forms of the efficient market hypothesis? (1) Equilibrium rate of return will prevail. (2) Securities of firms sell at their fair value. (3) Investors cannot earn a positive return. (A) Only (1) above (B) Only (2) above (C) Both (1) and (3) above (D) Both (1) and (2) above [2] | J25 Q1(x) · 2 m · asked in 2 papers | |
| ★★ | (viii) Which of the following is not a potential benefit of Central Bank Digital Currencies (CBDC)? (A) Keeping track of transactions, exact location of money (B) Technological efficiency in storing and transacting with reduced cost (C) Scope committing illegal activities like money laundering, tax evasion, terror financing (D) Providing a digital record of every transaction [2 Marks] --- (ix) Which of the following statement is / are said to be true with respect to risk penalty? (I) Higher the risk penalty, lower the utility of the return for the investor (II) The risk penalty will be lower for smaller values of risk tolerance and higher values of variance of asset mix. (III) For risk loving investors, risk tolerance is high and risk penalty is low resulting in high utility. (A) Only (I) of the above (B) Only (II) of the above (C) Both (I) and (II) of the above (D) Both (I) and (III) of the above [2 Marks] | D24 Q1(viii) · 2 m · asked in 2 papers | |
| ★★ | (xii) Which one of the following is not a Digital Asset? (A) Digital Printing (B) Website (C) Stable Coin (D) Fintech [2 Marks] | D23 Q1(xii) · MQP Q1(xv) · 2 m · asked in 2 papers | |
| ★★ | (iii) Which of the following is/are not the component of digital infrastructure and why? (A) APIs and Integrations (B) Cloud Services (C) Stablecoins (D) Internet | J23 Q1(iii) · PTP Q8(a) · 2 m · asked in 2 papers | |
| ★ | (vi) Which one of the following Digital Financial Technologies and Technological concepts, is a type of distributed ledger which provide an order, time stamped and highly Secured record of transactions? (A) Peer to peer Technology (B) Enablers (C) Block chain (D) Big Data Analytics [2] | J24 Q1(vi) · 2 m | |
| ★ | (xiv) Which of the following is/are the Component(s) of Digital Finance Ecosystem? (A) Digital Money (B) Digital Assets (C) Digital Liabilities (D) (A) and (B) of the above. [2] | J24 Q1(xiv) · 2 m | |
| ★ | (x) Which of the following is/are the benefit(s) of Unified Payment Interface (UPI) to the merchants? (A) Round the clock availability (B) Single click authentication (C) Safer, secured and innovative (D) In-App Payments (IAP) [2 Marks] | D23 Q1(x) · 2 m | |

★ **SM exercise (if time):** M17 MCQ (not in the bank) 5 (p.736): What UPI stands for · M17 short essay 3 (p.737): Neobanks · M17 short essay 4 (p.737): Benefits of UPI · M17 short essay 5 (p.737): Non-Fungible Tokens · M17 essay 2 (p.737): Stablecoins · M17 essay 3 (p.737): Cryptocurrencies

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q152, Q153, Q154, Q155, Q156, Q157, Q159, Q231, Q233

## 17.3 17.3 Regulation and Governance in a Digital Finance Environment

SM pp. 732–735 · **never asked in the seven papers** · Dec'26 forecast: tier **C**, about **2** marks when it comes, chance it comes **15%** (MCQ)

**MCQs asked on this topic**

| Priority | Question | Asked / marks | Answer in |
|---|---|---|---|
| ★ | Payment and Settlement Systems Act 2007 | PTP Q1(xv) · 2 m | |

**MCQ bank for this topic** (ICMAI MCQ bank question numbers): Q158