Module 7 · Mutual funds P14 · 7.1–7.5

SM pp. 237–286 (exercise 287–298). **0–10 marks a paper** (expected 5.1): **Q4(b) a NAV sum in every December** (D23, D24, D25), investor-return sums in June (J23 = J25 template: units, NAV, yield, days held); MCQs on NAV, entry load. 7.1 / 7.2 / 7.5 (structure, regulation, ETFs, REITs, InvITs): never asked. **MQP Q4(b)** (NAV with loads and dividend equalisation) is unused — practise it.

Formula	When to use	SM
NAV per unit = net asset value of the fund ÷ units outstanding	Every NAV sum.	[SM 254]
Net assets = market value of investments + receivables + accrued income + other assets − accrued expenses − payables − other liabilities	Build the fund's balance sheet at market value; unlisted / non-traded securities at estimated value.	[SM 254–255]
Return = (change in NAV + dividend + capital-gains distribution) ÷ opening NAV	Holding-period return; annualise ÷ years (SM Illus. 3, SM 256).	[SM 255]
Sector value at valuation = cost × index now ÷ index at purchase	December template (D23, D25).	exam

ANSWER LAYOUT

1. Revalue each holding (sector index ratio, market price, bonds at value) → total investments.
2. + cash, receivables, accrued income − expenses payable, liabilities = **net assets**.
3. ÷ units outstanding = **NAV per unit** (opening NAV = amount raised ÷ units).
4. Return = (closing NAV − opening NAV + dividends) ÷ opening NAV; annualise by the years held.
5. Investor sums: units = amount ÷ (NAV + entry load); yield = (gain + dividends) ÷ amount; days held from the yield given.

⚠ **Traps**: opening NAV uses the amount invested (no cash at purchase); dividends paid are added back to the return; expenses payable are deducted; units outstanding, not face value.

PROBLEMS BOX · NAV AND FUND RETURN (Q4(b) — RECOMPUTED BY SCRIPT m07_patterns.py)

WORKED PATTERN · SM ILLUSTRATIONS 1, 2, 4

- Illus. 1: fund ₹300 crore, face value ₹10; investments ₹360 crore + receivables 6 + accrued income 4 − liabilities 2 − accrued expenses 1 = 367 ÷ 30 crore units = **₹12.23 per unit**. [SM 255]
- Illus. 2: NAV ₹50 → ₹55, dividend ₹4, capital gains ₹3: (5 + 4 + 3) ÷ 50 = **24%**; year II (50 − 55 + 5) ÷ 50 = 0%. [SM 255]
- Illus. 4: (180 + 1 + 1 − 0.50 − 0.50) lakhs ÷ 10 lakhs units = **₹18.1 per unit**. [SM 257] (⚠ the SM writes "18.1 lakhs" — it is ₹18.10 per unit.)

PRACTISE THESE (MOST LIKELY FIRST)

D25, D23 Q4(b) (NAV) · **MQP Q4(b)** (loads, dividend equalisation — unused) · D24 Q4(b) (fund beta, NAV after a 10% fall) · J25, J23 Q4(b) (investor return, days held) · postal Q6(b) · MCQs D23 Q1(iv), J24 Q1(v), D24 Q1(xii), J23 Q1(ix) · SM Illus. 1–8, 7.5 examples (SM 279–280, entry load) · **ICMAI Practice Workbook Ch5 illus. 1–14** · MCQ bank Q75, Q79, Q83, Q85, Q87, Q182–Q186, Q199, Q202, Q203, Q206, Q234, Q239.

DEC'25 Q4(b) — RETURN (OUR WORKING, CONT.)

Opening NAV = 125 ÷ 7 = ₹17.8571; return = (27.5920 − 17.8571 + 2 × 3.00) ÷ 17.8571 = **88.1%** over 2 years → **44.06% a year** (simple).

DEC'25 Q4(b) WEALTH PLUS (OUR WORKING)

Holding (₹ crore)	Cost	Index	Value
IT and ITES	35	3100 / 1800	60.2778
Infrastructure	20	2550 / 1500	34.0000
Aviation / transport	10	2300 / 1400	16.4286
Automotive	25	2800 / 1750	40.0000
Banking / financial	15	2500 / 1600	23.4375
Unlisted bonds (⚠ no coupon given: at cost — state it)	20		20.0000
+ cash 4 − expenses payable 5			(1.0000)
Net assets → ÷ 7 crore units			**193.1438 → ₹27.5920**