

Sreeram Coaching Point

Question wise analysis of MAFA November 2008

1. The first question (being compulsory) would take easily 1.25 hours to complete with the help of MS excel. Now one can imagine the anxiety amongst the students for such a question being compulsory with no help of a computer under examination conditions. This question though tests on the basics of capital budgeting but predominantly involves clerical workings of the cash flow. This makes one wonder as what Institute wants of from a student, a fast computing clerk or a manager?
2.
 - (a) It is a problem on Mergers and Acquisition hovers initially at PE Ratio, EPS etc. But the punch of the problem lies low literally at the bottom wherein dilution of EPS and MPS are to be computed. This is a real cracker.
 - (b) Problem on computing rate of return for the investor of Mutual fund is drawn on the same lines of past exam question, would have posed no difficulties in solving but not on the time frame. It will take more time and the marks are not commensurate with the consumption of time. There seems to be a printing error in the Security transaction tax rate. Instead of 0.2%, paper indicating 2% as STT.
3.
 - (a) It is a problem on International Financial Management, a verbatim reproduction of November 1996. Good question for 6 marks.
 - (b) It is a problem on CAPM on elementary areas of finding portfolio return and the risk. Too much of computations are involved, not a healthy scenario at Final level.
 - (c) Short notes questions are on the customary lines, would not have taken students by surprise.
4.
 - (a) It is a problem on lease or own. It is oft repeated area, would have posed no problem at all, for students.
 - (b) Finding cost of capital using CAPM and further the price of the share is a solace to students for 6 marks.
 - (c) “Financial engineering” short notes is bolt from the blue. Very difficult theory question in the midst of easier questions is a sort of “balance” set by the institute.
5.
 - (a) Currency arbitrage would be easier to operate for 6 marks
 - (b) Factoring is also a PE 2 area, would be find the going pleasant, for students.

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But the question lacked certain information regarding what would happen for bad debts, administrative costs, if factoring is engaged. However a very well informed student would have considered these as savings in the cost of engaging a factor.

- (c) Green field privatization is a nice current day happening but will find students in a fix. Just like 4(c), a difficult theory question in the midst of easier questions.
- 6.
- (a) It is a problem on finding theoretical futures price. Information of interest rate per month is given as 15% instead of 1.5%. Annual dividend yield is also to be computed @ 25% on the face value and not to be pro rated for part of the year. These areas would have placed students in a jinx. Rest of the solution is dependent on the above discussion. Otherwise, it is a nice problem for 5 marks
 - (b) It is a good problem on bond valuation at all standards, fully deserving 5 marks.
 - (c) CAPM discussion and its assumption is a lolly pop question for students, richly deserves 5 marks
 - (d) Distinction of futures and forward is also a simple question on the elementary segment of derivatives topic.

Overall review:

It is a mixer of more time consuming, easier, past exam questions and new areas especially in theory segments. Because of lots of clerical workings involved in majority of the questions, easier paper took more time for students. But it is definitely a better paper than Advanced Accounting.