

Question 1

(5 marks)

The net asset value of a mutual fund scheme is basically the per unit market value of all the assets of the scheme. Simply stated, NAV is the value of the assets of each unit of the scheme, or even simpler value of one unit of the scheme. Thus, if the NAV is more than the face value (₹ 10), it means your money has appreciated and vice versa. NAV also includes dividends, interest accruals and reduction of liabilities and expenses besides market value of investments. NAV is the value of net assets under a mutual fund scheme. NAV per unit is NAV of the scheme divided by number of units outstanding. NAV of a scheme keeps on changing with change in market value of portfolio under the scheme.

Net Asset Value (NAV) is calculated as under:

$$\frac{\text{Total market value of all Mutual Fund holdings} - \text{All Mutual Fund liabilities}}{\text{Unit size}}$$

Question 2

(5 marks)

**Statement showing the Movement of Unit Holders' Funds
for the year ended 31st March, 2017**

	(₹ '000)
Opening balance of net assets	12,00,000
Add: Par value of units issued (8,50,200 × ₹ 100)	85,020

3 marks

* Amended as per SEBI (Mutual Fund) (Amendments) Regulations, 2016 w.e.f 12.02.2016

Net Income for the year	85,000
Transfer from Reserve/Equalisation fund (Refer working note)	15,390
	13,85,410
Less: Par value of units redeemed (7,52,300 × ₹ 100)	(75,230)
Closing balance of net assets (as on 31 st March, 2017)	13,10,180

Working Note:

Particulars	Issued	Redeemed
Units	8,50,200	7,52,300
	₹ 000	₹ 000
Par value	85,020	75,230
Sale proceeds / Redemption value	96,500	71,320
Profit transferred to Reserve / Equalisation Fund	11,480	3,910
Balance in Reserve / Equalisation Fund (Issued & Redeemed)	15,390	

2 marks

Question 3 (8 marks)**Calculation of effective yield on per annum basis in respect of two mutual fund schemes up to 31.03.2017**

		X	Y
1	Amount of Investment (₹) [[2,00,000	4,00,000
2	Date of investment	1.12.2016	1.1.2017
3	NAV at the date of investment (₹)	10.50	10.00
4	No. of units on date of investment [1/3]	19,047.62	40,000
5	NAV per unit on 31.03.2017 (₹)	10.40	10.10
6	Total NAV of mutual fund investments on 31.03.2017 [4 x 5]	1,98,095.25	4,04,000
7	Increase/ decrease of NAV [6-1]	(1,904.75)	4,000
8	Dividend received up to 31.3.2017	3,800	6,000
9	Total yield [7+8]	1,895.25	10,000
10	Yield % [9/1] x 100	0.95%	2.5%
11	Number of days from date of investment	121	90
12	Effective yield p.a. [10/11] x 365 days	2.87%	10.14%

Question 4: **(8 marks)****Computation of Average Capital employed**

		(₹ in lakhs)
Total Assets as per Balance Sheet		591.20
Less: Non-trade investments (20% of ₹ 40 lakhs)		<u>(8.00)</u>
		583.20
Less: Outside Liabilities:		
10% Debentures	20.00	
12% Term Loan	72.00	
Trade Payables	64.00	
Provision for Taxation	<u>25.60</u>	<u>(181.60)</u>
Capital Employed as on 31.03.2017		401.60
Less: ½ of profit earned during the year:		
Increase in General Reserve balance	2.00	
Increase in Profit & Loss A/c	<u>78.40</u>	
	<u>80.40 / 2</u>	<u>40.20</u>
Average capital employed		361.40

Question 5

(8 marks)

1. Capital Employed at the end of each year

	31.3.2015 ₹	31.3.2016 ₹	31.3.2017 ₹
Goodwill	10,00,000	8,00,000	6,00,000
Building and Machinery (Revaluation)	18,00,000	20,00,000	22,00,000
Inventory (Revalued)	12,00,000	14,00,000	16,00,000
Trade Receivables	20,000	1,60,000	4,40,000
Bank Balance	<u>1,20,000</u>	<u>2,00,000</u>	<u>4,00,000</u>
Total Assets	41,40,000	45,60,000	52,40,000
Less: Trade Payables	<u>(6,00,000)</u>	<u>(8,00,000)</u>	<u>(10,00,000)</u>
Closing Capital	35,40,000	37,60,000	42,40,000
Add: Opening Capital	<u>36,60,000</u>	<u>35,40,000</u>	<u>37,60,000</u>
Total	<u>72,00,000</u>	<u>73,00,000</u>	<u>80,00,000</u>
Average Capital	36,00,000	38,50,000	40,00,000

3 marks

Since the goodwill has been purchased, it is taken as a part of Capital employed.

2. Valuation of Goodwill

(i) Future Maintainable Profit	31.3.2015	31.3.2016	31.3.2017
Net Profit as given	4,20,000	6,20,000	8,20,000
Less: Opening Balance	(1,20,000)	(1,40,000)	(1,60,000)
Adjustment for Valuation of Opening Inventory	-	(2,00,000)	(2,00,000)
Add: Adjustment for Valuation of closing inventory	2,00,000	2,00,000	2,00,000
Goodwill written off	-	2,00,000	2,00,000
Transferred to General Reserve	<u>2,00,000</u>	<u>2,00,000</u>	<u>2,00,000</u>
Future Maintainable Profit	7,00,000	8,80,000	10,60,000
Less: 12.50% Normal Return	<u>(4,50,000)</u>	<u>(4,56,250)</u>	<u>(5,00,000)</u>
(ii) Super Profit	2,50,000	4,23,750	5,60,000

3 marks

(iii) Average Super Profit = ₹ (2,50,000+4,23,750+5,60,000) ÷ 3 = ₹ 4,11,250

(iv) Value of Goodwill at five years' purchase = ₹ 4,11,250 × 5 = ₹ 20,56,250.

2 marks

Question 6

(10 marks)

1. Capital Employed at the end of each year

	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2015 Rs.
Goodwill	20,00,000	16,00,000	12,00,000
Building and Machinery (Revaluation)	36,00,000	40,00,000	44,00,000
Inventory (Revalued)	24,00,000	28,00,000	32,00,000
Trade Receivables	40,000	3,20,000	8,80,000
Bank Balance	<u>2,40,000</u>	<u>4,00,000</u>	<u>8,00,000</u>
Total Assets	82,80,000	91,20,000	104,80,000
Less: Trade Payables	<u>(12,00,000)</u>	<u>(16,00,000)</u>	<u>(20,00,000)</u>
Closing Capital	70,80,000	75,20,000	84,80,000
Add: Opening Capital	<u>73,20,000</u>	<u>70,80,000</u>	<u>75,20,000</u>
Total	<u>1,44,00,000</u>	<u>1,46,00,000</u>	<u>1,60,00,000</u>
Average Capital	72,00,000	73,00,000	80,00,000

4 marks

Since the goodwill has been purchased, it is taken as a part of Capital employed.

2. Valuation of Goodwill

(i) Future Maintainable Profit	31.3.2013	31.3.2014	31.3.2015
Net Profit as given	8,40,000	12,40,000	16,40,000
Less: Opening Balance	(2,40,000)	(2,80,000)	(3,20,000)
Adjustment for Valuation of Opening Inventory	-	(4,00,000)	(4,00,000)
Add: Adjustment for Valuation of closing inventory	4,00,000	4,00,000	4,00,000
Goodwill written off	-	4,00,000	4,00,000
Transferred to General Reserve	4,00,000	4,00,000	4,00,000
Future Maintainable Profit	14,00,000	17,60,000	21,20,000
Less: 12.50% Normal Return	(9,00,000)	(9,12,500)	(10,00,000)
(ii) Super Profit	5,00,000	8,47,500	11,20,000

4 marks

(iii) Average Super Profit = Rs. (5,00,000+8,47,500+11,20,000)÷3 = Rs. 8,22,500

(iv) Value of Goodwill at five years' purchase = Rs. 8,22,500 × 5 = Rs. 41,12,500.

2 marks

Question 7 (6marks)

	₹ in lakhs	₹ in lakhs	
Opening bank balance [₹ (100 – 90 - 5) lakhs]	5.00		
Add: Proceeds from sale of securities	40.00		
Dividend received	1.20	46.20	
Less: Cost of securities	28.20		
Fund management expenses [₹ (4.50–0.35) lakhs]	4.15		
Capital gains distributed [75% of ₹ (40.00 – 38.00) lakhs]	1.50		
Dividends distributed (75% of ₹ 1.20 lakhs)	0.90	(34.75)	
Closing bank balance		11.45	
Closing market value of portfolio		112	
		123.45	
Less: Arrears of expenses		(0.35)	
Closing net assets		123.10	
Number of units			10,00,000
Closing Net Assets Value (NAV)			₹ 12.31
