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B.Com Honours | Semester V | Calicut University

MANAGEMENT OF FINANCIAL SERVICES

Course Code: COM5EJ301 • Module 3 Notes

Module III: Fund-Based Financial Services (Mutual Funds & Venture Capital)

Covers mutual fund trust structures, Asset Management Company (AMC) operations, Net Asset Value (NAV) math, and venture capital equity financing stages under SEBI AIF Regulations.

Unit 7: Mutual Funds Concept, Growth Architecture, & Scheme Types

Pools savings of investors to invest in diversified securities. 3-Tier Structure: Sponsor → Board of Trustees → Asset Management Company (AMC) + Custodian.
Scheme Types: Open-ended (continuous buy/sell), Close-ended (fixed maturity, listed on exchange), Equity, Debt, Liquid, Hybrid, Index Funds, ETFs.

Unit 8: AMC Functions & Net Asset Value (NAV) Determination

AMC manages portfolio according to trust deed. Net Asset Value (NAV) represents per-unit market value of scheme assets:

> **Net Asset Value (NAV) = ⮝rac{ ext{Market Value of Investments} + ext{Receivables} - ext{Accrued Liabilities}}{ ext{Total Number of Outstanding Scheme Units}}**

Unit 9: Venture Capital Financing, Funding Stages, & Exit Routes

High-risk equity capital for innovative start-ups.
Funding Stages: 1. Seed Stage (R&D) → 2. Start-up Stage (Prototype) → 3. Early Stage (Commercial production) → 4. Expansion / Growth Stage → 5. Bridge / Mezzanine Stage (Pre-IPO).
Exit Routes: Initial Public Offering (IPO), Strategic Trade Sale, Promoter Buyback. Regulated under SEBI (Alternative Investment Funds - AIF) Regulations, 2012.

Practical Problem 1 (Mutual Fund Net Asset Value NAV Solved Statement): A mutual fund equity scheme has 1,00,00,000 (1 Crore) units outstanding.
Portfolio Assets Market Value: Equity shares = Rs. 150 Crores; Bonds & T-Bills = Rs. 40 Crores; Cash & Liquid Balance = Rs. 10 Crores; Accrued Dividend Receivable = Rs. 2 Crores. Current Accrued Scheme Liabilities: Management fees payable to AMC = Rs. 1.5 Crores; Other accrued operating expenses = Rs. 0.5 Crores. Calculate Net Asset Value (NAV) per unit.

Mutual Fund Net Asset Value (NAV) Computation Statement:

Portfolio Asset / Liability Particulars	Amount (Rs. Crores)
Market Value of Equity Shares Portfolio	150.00
Market Value of Bonds & Money Market Instruments	40.00
Cash & Cash Equivalent Bank Balances	10.00
Add: Accrued Dividend & Interest Receivables	2.00
TOTAL GROSS ASSET VALUE (GAV)	**202.00**
Less: Accrued AMC Management Fees Payable	(1.50)
Less: Accrued Scheme Operating Expenses	(0.50)
NET ASSET VALUE OF SCHEME PORTFOLIO (NET ASSETS)	**200.00**

> **NAV per unit = $\frac{\text{Net Assets}}{\text{Outstanding Units}} = \frac{\text{Rs. 200,00,00,000}}{1,00,00,000 \text{ Units}} = \mathbf{\text{Rs. 200.00 per unit}}$**