Moderated

Set-I

JAIPURIA INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

FIFTH TRIMESTER (Batch 2019-21)

END TERM EXAMINATIONS, JANUARY 2021

Set-I

Course Name	**Wealth Management**	Course Code	**G/SM/M/FIN 503**
Max. Time	**2 hours**	Max. Marks	**40 MM**

INSTRUCTIONS:
A. Attempt all questions. Each Qs to be attempted on separate sheet on excel.
B. It's a closed book exam.
C. Videos to be on. No use of ear phones/phones.
D. Any two or more sheets with similar answer will be scrapped.

Qs. 1 (15 marks)

Mr Girish Verma works as a financial analyst with a multi-national company in Mumbai. The CTC to the company for the FY 2020-21 is Rs 24 lakh per annum. The details of the salary structure on annual basis are given below:

1. Basic Salary Rs 6,00,000
2. DA 100% of basic salary
3. House Rent Allowance Rs (actual rent paid Rs 7,00,000) Rs 8,00,000
4. Taxable Allowances Rs 2,00,000
5. Company's contribution to EPF is 12%
6. Company's contribution to NPS Rs 56,000

He also has income from house property Rs 2,40,000, bank fixed deposit interest income Rs 1,20,000, interest on saving bank account Rs 10,000, and sold of gold exchange traded fund Rs 2,50,000 on 6th January 2021. It was purchased for Rs 1,20,000 on 5th December 2017. (Cost inflation index 2017-182 = 272, 2020-21 = 301). He has made following investments/payments in the FY 2020-21:

a) Interest on home loan Rs 2,80,000
b) Principal payment of home loan Rs 60,000
c) EPF Rs 1,44,000
d) Life insurance premium Rs 75,000
e) Health insurance premium for dependent parents (senior citizens), spouse and kids Rs 75,000.

Girish has opted for the old tax regime considering that he has good amount of deductions/exemptions to claim.

(A) Justify Girish decision to opt for old and reject new tax regime. **(13 marks)**
(B) Create a new CTC salary structure for minimizing his tax liability. **(2 marks)**

Qs.2 (15 marks)

Manish (35 years) and Rashmi (33 years) Rawat are both working and live with their new-born child in their own house, in Greater Noida. The couple brings in a combined monthly income of Rs1.5

lakh and after considering expenses and investment, is left with a surplus of Rs37,917. They have a portfolio of Rs1.02 crore and their goals include building an emergency corpus, buying a car, saving for their child's education and wedding, and their own retirement. For life insurance, the couple has two traditional endowment plans of Rs43 lakh and Manish has a term plan of Rs1 crore. The couple has no health insurance.

Rawats' Portfolio

Asset	Current Value (Rs)
Real Estate	87 lakh
Cash	1.3 lakh
EPF	9 lakh
Fixed Deposit	4 lakh
PPF	80,000
NPS	50,000
Equity	50,000
TOTAL	1.02 crore

There is no liability as on date. The existing cash flow position is given below:

	Existing Cash Flows (Rs)
Income	1.5 lakh
Outflow	
Household expenses	77,333
Insurance premium	18,053
Investment	16,667
Total Outflow	1.12,083
Surplus	37,917

The future cost of goals and time to achieve are given below:

Goal	Future Cost (Rs) / time to achieve
Emergency fund	4.9 lakh
Car	15 lakh / 5 years
Child's education	1.3 crore / 18 years
Child's wedding	80 lakh / 25 years
Retirement	9.6 crore / 25 years

As a financial advisor develop and assess his financial plan for achieving financial goals.
Note: Annual return assumed to be 12% for equity, 8% for debt funds, inflation assumed to be 7%.

Qs.3 (7 marks)
Robin wants to secure the future of his wife, who is 40 years old and is expected to live up to 80 years, by taking a life insurance policy. The details of his income, expenses, assets and liabilities are given below:

i) Rental income Rs.5,60,000 p.a.
ii) Living expenses Rs.13,90,000 p.a.
iii) School fees of his daughter is Rs 70,000 p.a., expected to increase @ 2% p.a. for next 10 years
iv) Wife endowment life insurance policy premium Rs. 80,000 p.a. payable for next 10 years
v) Current marriage expense is Rs.20,00,000 and will increase @ 4% p.a.. He plans to get her daughter married after 10 years.
vi) Other expense Rs.5,00,000 p.a.
vii) Property loan outstanding Rs.18,00,000
viii) Gratuity Rs. 3,90,000
ix) EPF Rs.3,50,000

x) Shares and debentures Rs.15,00,000
xi) Property Rs.60,00,000
xii) Existing life insurance policy Rs.30,00,000

Calculate life insurance coverage for Robbin if the expected inflation for the remaining expenses is 4 percent p.a. and return on investment is 10 percent p.a.

Qs. 4 (3 marks)

Mr Rastogi is planning to invest in large-cap equity mutual fund scheme. He has collected the following data:

Large-cap Funds	5-Year Return	Standard Deviation
Fund A	14%	4.5
Fund B	16%	5.2
Fund C	10%	3.9

Assuming a 6% risk-free rate of return, rank the above schemes on the basis of risk-reward ratio to help him select the best mutual fund scheme.

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Set. II

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Vth TRIMESTER (Batch 2019-21)

END TERM EXAMINATIONS

SET – 2

Course Name	**Wealth Management**	Course Code	**G/SM/M/FIN 503**
Max. Time	**2 Hours**	Max. Marks	**40**

INSTRUCTIONS: Attempt all Questions.

Qs.1 (10 marks)
Mr Kumar, aged 40 years, works as a production manager in a private company and earns Rs.10,00,000 per year. His wife Ritu is a house wife aged 37 years. They have one daughter Pinki aged 10 years. The family has a house worth Rs.20,00,000 and a mortgage of Rs.10,00,000. They have a personal loan of Rs.2,00,000. The family's living expenses, after accounting for inflation, were estimated at Rs.30,000 per month. Mr Kumar wants to provide the best education to his daughter. The average annual cost of education is estimated at Rs. 5,00,000. The life expectancy of his wife is 75 years. It is expected that when Pinki start earning at the age of 25, their living expenses will reduce by Rs.4000 per month.
Estimate the total life insurance coverage for Mr. Kumar.

Qs.2 (10 marks)
Mr. A has earned income from the following sources for the financial year 2020-21:
a) Income from salary Rs.1,50,000 per month
b) Interest income Rs.50,000 per annum
c) Long-term capital gain from sale of shares Rs.1,00,000 per annum
d) Dividend income Rs.10,000 per annum.

He has made the following investments for the financial year 2020-21:
a) Life insurance premium Rs.50,000
b) EPF Rs.20,000
c) Contribution to NPS Rs.20,000
d) Tuition fee of children Rs.5,000 per month.

From the above information, calculate the taxable income and tax liability of Mr. A.

Qs.3 (5+5 marks)
(a) Assume Jyoti's son just turned five. She plans to save for his college education by making semi-annual deposits in an investment earning 8 percent compounded semiannual return. After her son turns 18, for the next four years Jyoti expects to finance his four-year college education by spending Rs 50,000 per year. Estimate how much money starting from today she would need to save every six months until her son turns 18 to reach her education funding goal.
(b) You purchased a residential property in the month of April 2005 for Rs 40 lakhs. You spent Rs 20 lakhs in June 2007 to add a floor to the house. You sold the house in June 2017 for Rs 1 crore. Cost of inflation index for the year 2005-06, 2007-18 and 2017-18 are 117, 129 and 272 respectively. Calculate capital gain tax.

Qs.4 (10 marks)
Suppose the retirement corpus of your client is Rs. 1 crore. He has a moderate risk appetite and hence you suggest equal proportion of investment in equity and debt. A long-term investment in an equity mutual fund will give an expected return of 12% p.a. and debt will give a return of 7% p.a.. Suppose he has 30 years left for retirement, estimate how much he should invest on a monthly basis in equity mutual fund and debt to achieve the target retirement corpus?