

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM / PGDM (M) / PGDM (SM)
FIFTH TRIMESTER (Batch 2016-18)
END TERM EXAMINATIONS, JANUARY 2018

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|-------------|---------------------------|-------------|----------------|
| Course Name | Financial Planning | Course Code | FIN 503 |
| Max. Time | 2 hours | Max. Marks | 40 MM |

INSTRUCTIONS: Attempt all Questions. Use scientific calculator for calculating time value of money factor.

Qs.1 (12 marks)

Mr Singh, aged 32 years, lives with his wife Deepali, 29, and a three-year-old son Rohan, in Delhi. As an employee in a MNC firm, he gets a salary of Rs 25 lakh per annum. His investments are Rs 32 lakh in FDs, Rs 5 lakh in PPF, four monthly SIPs of Rs 4000 each (current value Rs 4 lakh), life insurance with a yearly premium of Rs 40,000 (to close in 2022), a debt ULIP with a yearly premium of Rs 1 lakh. His monthly expenses amount to Rs 50,000. His goals are son education Rs 27 lakh and marriage Rs 65 lakh and Rs 3 crore as retirement corpus.

Assume debt fund and equity fund will generate an average of 12% and 8% return respectively in future.

As a financial planner advice Mr Singh to reach his financial goals and identify any deficiencies in other financial planning areas.

NOTE: Make and specify assumptions, if any, for preparing financial plan.

Qs. 2 (12 marks)

Mr Gupta, 30 years, wants to retire at the age of 62 years. His current annual expenses Rs 3.6 lakh includes loan installment of Rs 60,000, insurance premium Rs 20,000 and school fees Rs 48,000. On retirement, he would like to indulge in pursuing his hobbies like travelling, doing social work, etc. and to meet his medical bills. The current cost of travelling and social work is Rs 5 lakh p.a. and is estimated to increase at an average annual rate of 6%. The present cost on monthly medical bills for a retired person amounts to Rs 10,000 and will increase at an average annual rate of 4%. He has a property, which is expected to fetch a rental income of Rs.40,000 per month in future. The rate of return expected at the time of retirement is 7% p.a..

Advice how much he should invest on annual basis in a large cap equity fund to build his retirement corpus. The equity mutual fund is expected to give a return of 12% p.a.

Qs. 3 (10 marks)

Mr. Virat has earned income from the following sources for the financial year 2016-17:

- Income from salary Rs.2,50,000 per month
- Interest income Rs. 70,000 per annum
- Long-term capital gain from sale of shares Rs.1,00,000 per annum
- Dividend income Rs. 20,000 per annum.
- Long-term capital gain from the sale of debentures Rs 80,000.

He has made the following investments for the financial year 2016-17:

- Life insurance premium Rs. 60,000
- EPF Rs. 25,000
- Contribution to NPS Rs. 1,50,000 and additional Rs 50,000 u/s 80CCD (1B)

As a financial planner help Mr Virat in calculating his taxable income and tax liability.

Qs 4 (6 marks)

REITs are just like mutual funds, but instead of using the money collected from investors to buy stocks and bonds, they invest in property. Elaborate by explaining the working of REIT.