

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH
Program: PGDM-Finance (Batch 2017-19) TRIM-VI
Subject: Wealth Management (End Term Examination)

Maximum marks: 50
2019
Duration: 3 hours

Date: 10 April,

- 1. Attempt question 1 which is compulsory**
- 2. Attempt THREE questions from the rest.**

Question 1

a) Kanishk has been saving ₹1,90,000 every year for the last 10 years. This money has been invested in a diversified equity scheme which gives an average return of 14.25% p.a.. He has stopped saving in this portfolio and has started saving ₹15,000 per month through 3 SIPs(systematic Investment plans) for 3 years. The average return on these three investments is 12.75% per annum, compounded monthly. How much will be accumulated from both the investments after 3 years? (4 marks)

c) If you pay a mortgage of ₹12 Lakh for 15 years at an interest rate of 1% per month on a monthly basis, What is the total amount of interest that you will pay over the term of the mortgage?

(4 marks)

d) Saket wants to retire at the age of 48 and he wants to maintain his present standard of living. He spends ₹625000 a year. He is expected to live up to 85 years. Inflation is 4% and the expected return is 8% pa. How can he achieve this? He is at present 32 years old. What is the nest egg required at age 48 and what amount shall he save every year to meet this plan? His present investment is ₹2000000. (6marks)

Question 2 Ruchi retired on the first of October 2017 after 22 years and 10 months of service. She received ₹546000 as leave encashment. She is entitled to one and half months leave for each year of service. She has encashed 14 months of salary while in service. Calculate the taxable leave salary if her salary during 2017 was ₹38500 pm and ₹33000 pm during 2016. (4 marks)

b) Why is it important to classify goals based on Time horizon? Suggest categories of investments based on time horizon?

(4 marks)

c) What are the methods to estimate the Insurable amount on the life of an individual?

Explain.

(4 marks)

Question 3

8

Marks

A) Use the following data to prepare a net worth statement and a cash flow statement of Ramnath.

Rent paid Rs.19500

Monthly take home salary Rs 97500

Savings balance Rs 117000

Food expenses Rs.17250

Auto loan Rs.108000

Sale value of automobile Rs.390000

Credit card balance Rs.117500

EMI Rs.4000

Household Items Rs.275000

Shares Rs43000

Miscellaneous expenses Rs.43750

A) Calculate the Debt Ratio and Liquidity ratio of Ramnath from the above data.

Question 4

a) What is an Investment Advisory in a bank? What are the reasons why RBI asked banks to have a Separately Identifiable Division or Department for it? (4 Marks)

b) What care should a Wealth Manager take to ensure that he/she is not mis-selling the products? (4 Marks)

c) While planning for the transfer of Wealth to heirs, is it better to transfer ones assets before death or after death? What are the different ways to transfer wealth? (4 Marks)

Question 5

Write a note on any THREE of the following terms:

a) Distinguish Debt Medium Duration fund with Debt Liquid Fund

b) Discretionary Portfolio management Services

c) Exemptions from Long Term capital Gains

d) Strategies in Asset Allocation

-----End of Paper-----