

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH
Vidyavihar, Mumbai- 400077
Program: PGDM-Finance (Batch 2016-18), Tri-VI
Subject: Wealth Management
(End Term Examination)

Maximum Marks: 50

Date: 12 April, 2018

Duration: 3 hours

Note :

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

QUESTION 1

20 marks

- a) Sushant is 60 retired and planning for his retirement. At present he spends ` 2.4 lakhs p.a. and wishes to maintain the same standard of living after retirement. He has an accumulated amount of `75 lakhs at the time of retirement. If the inflation is 6.5% p.a. and interest on investment is 9.25% p.a, how long would this money last if he uses `25 lakhs for buying a house out of the accumulated money? (4 marks)
- b) Ritika pays her mortgage of `12 Lakh for 15 years at an interest rate of 1% per month. Ritika makes the payments on a monthly basis. What is the total amount of interest that Ritika will pay over the term of the mortgage. (4 Marks)
- c) Mr. Anant is currently 36 years and plans to retire at the age of 65. He earns Rs.35,00,000 p.a. as an event manager and earns an increase of about 6% every year. He currently has Rs.3,70,000 saved for his retirement in an equity fund that earns an average 18% pa. He is also depositing an amount of Rs.9000 in a PPF account with an expected return of 6.7%. His equity fund will continue till retirement and later place it in a money market fund that will earn a 6% return because he does not want to take much risk. He contributes 4,50,000 of his income every year into a pension scheme which fetches a moderate 8percent. He expects to require 90 percent of his income as retirement income for at least 30 years after retirement. Inflation is assumed as 3.5%. Anant is concerned that he might not have enough money for his retirement.
- i. How much money Anant would have in his savings kitty when he retires at 65?
 - ii. Determine whether Ananth can retire at 60 years of age instead of 65 if he starts saving @ Rs.6 lacs.
 - iii. If Anant wants to retire at 60 years but does not want to save more than Rs.450000, provide some alternatives to meet the retirement needs. (10 Marks)
- d) What is risk profiling? Write very briefly. (2 Marks)

Question 2

- a) Calculate taxable value of pension and gratuity of Prasanna, a Government employee who retired on 30th April 2016 and received ` 1,75,000 as gratuity and ` 5,400 p.m. as pension upto 31st October 2016. On 1st November he commuted 70% of his pension for `1,80,000. He had a total of 35 years and 8 months service. (4 Marks)
- b) What are the deductions U/S 54 and 54F under Capital Gains? (2 Marks)

Question 3

- a) Discuss briefly the services offered by Banks under the Wealth Management Services.
- b) Distinguish Liquidity Ratio and Debt Payments Ratio (2 Marks)

Question 4

- a) As a wealth Manager how would you educate your client on the alternatives scenarios in Estate Planning (4 Marks)
- b) Two best alternatives to a Bank fixed Deposit and compare the risk-return (2 Marks)

Question 5

- a) Mr. Rohan is considering taking a total insurance cover based on Human Life Value. Give your recommendations for total insurance cover for Mr Rohan. His present age is 45 years. His retirement age is 70 years. His total income is Rs 21,00,000/ (Salaries Rs 15 lacs, dividends in individual shares 2.5 lacs, HUF CO- Partner profit share 1.5 lacs, interest on bank deposits and other investments 1 lac, minor daughter's income Rs 1 lac, has paid following taxes Corporate professional tax Rs 5000/ , income tax Rs 4,10,000/ as per individual tax filed. He pays total insurance premium of Rs 55000/ (self assurance cover SA Rs 22,00,000/) Reasonable maintenance charge for a person of his stature is assumed as Rs 1,00,000/; applied rate of interest to arrive at present value of his future income is at 5%. (4 marks)
- b) As a wealth manager, state what tools would you use to understand the personal financial data of your clients? (2 Marks)

Question 6 :

(6 Marks)

List out the following investments in their order of Risk

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|--|--------------------------|
| Treasury Bills | Deposits with SREI 'AA+' |
| Sectoral Mutual Funds | Liquid Funds |
| Index Mutual Funds | Private Equity |
| Birla Monthly Income Funds | Arbitrage Fund |
| Bank Fixed Deposits | Balanced Fund |
| Tax Free Bonds of National Highway Authority | Largecap Fund |
| Deposit of Godrej Consumer Products Ltd | Midcap Fund |

| | |
|-------|--|
| 'AAA' | |
|-------|--|

Question 7

(6

Marks)

Write a note on any TWO of the following terms:

- a) Distinguish debt mutual funds- Aggressive, Moderate and Conservative
- b) Importance of Time Horizon in Financial Planning
- c) Systematic Withdrawal Plan

----- All the Best! -----