Roots Institute of Financial Markets

RIFM

Advanced Financial Planning

Practice Book Part 2

Case Studies 1

Roots Institute of Financial Markets
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Forward

Welcome To RIFM

Thanks for Choosing RIFM As Your Guide To Help You In CFP/NCFM Certification.

Roots Institute Of Financial Markets Is An Advanced Research Institute Promoted By Mrs. Deep Shikha CFP^{CM}. RIFM Specializes In Financial Market Education And Services. RIFM Is Introducing Preparatory Classes And Study Material For Stock Market Courses Of NSE , NISM And CFP Certification. RIFM Train Personals Like FMM Students, Dealers/Arbitrageurs, And Financial Market Traders, Marketing Personals, Research Analysts And Managers.

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Wish You Luck…………….

Faculty And Content Team, RIFM

Our Team

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- M.Com., B.Ed.
- AMFI Certified For Mutual Funds
- IRDA Certified For Life Insurance
- IRDA Certified For General Insurance
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- Derivatives Market (Dealers) Module
- Commodities Market Module

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- AMFI Certified for Mutual Funds
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- Certification in all Modules of CFP^{CM} Curriculum (FPSB India)

Exam Pattern

Pattern of Questions in a Case Study											
		Module I		Module II		Module III		Module IV		Module V	
		No_Items	Marks	No_Items	Marks	No_Items	Marks	No_Items	Marks	No_Items	Marks
Marks Category	2	2	4	1	2	0	0	1	2	1	2
	3	1	3	1	3	1	3	0	0	1	3
	4	0	0	1	4	0	0	1	4	0	0
	5	0	0	0	0	1	5	2	10	1	5
Total		**3**	**7**	**3**	**9**	**2**	**8**	**4**	**16**	**3**	**10**

- A student who scores 50% or more will pass the examination and anyone who scores below 50% (exclusive) will fail the examination.
- There is no negative marking in the Examination.
- Successful students in the CFP^{CM} Certification examination are not given their scores or ranks as practiced in most international professional certification examinations. However, given the aspiration needs of the students, grades will be provided to the successful students. Unsuccessful students shall get their marks in percentage terms along with the result.
- The following grading system will be used to provide grades.

Grade	Score (Percentage)
A	Equal and above 75%
B	Equal and above 60% and less than 75%
C	Equal and above 50% and less than 60%
Fail	Less than 50%

Syllabus

Advanced Financial Planning

COURSE DESCRIPTION: This module builds upon the foundations in Financial Planning and the knowledge requirements in Modules 2 to 5 to enable the CFP professional to construct a comprehensive Financial Plan for a client. Miscellaneous topics are also covered in this module.

LEARNING OBJECTIVES: At the end of this module, a student should be able to:

1. Determining the client's financial status by analyzing and evaluating the client's information.
2. Developing and preparing a client-specific Financial Plan tailored to meet the goals and objectives of client, commensurate with client's value, temperament, and risk tolerance.
3. Implement and monitor the Financial Plan.

DETAILED CLASS OUTLINE:

Financial Planning Process

1. Establishing client- planner relationships

a. Explain issues and concepts related to overall Financial Planning process, as appropriate to the client
b. Explain services provided, the process of planning, documentation required
c. Clarify client's and certificant's responsibilities

2. Gathering client data and determining goals and expectations

a. Obtain information from client through interview/ questionnaire about financial resources and obligations
b. Determine client's personal and financial goals, needs and priorities
c. Assess client's values, attitudes and expectations
d. Determine client's time horizons
e. Determine client's risk tolerance level
f. Collect applicable client records and documents

3. Determining the client's financial status by analyzing and evaluating the client's information

A. General

a. Current financial status (e.g., assets, liabilities, cash flow, debt management)
b. Capital needs
c. Attitudes and expectations
d. Risk tolerance
e. Risk management
f. Risk exposure

B. General Needs

a. Emergency funds
b. Children's education
c. Children's marriage
d. Buying real assets like home, car, durables, etc.
e. Future lifestyle needs

C. Special needs

a. Divorce / remarriage considerations
b. Charitable planning
c. Adult dependent needs
d. Disabled child needs
e. Education needs
f. Terminal illness planning
g. Entrepreneurial needs planning

D. Risk management

a. Life insurance needs and current coverage
b. Disability insurance needs and current coverage
c. Medical insurance needs and current coverage
d. Long – term care insurance needs and current coverage
e. Homeowners insurance needs and current coverage
f. Auto insurance needs and current coverage
g. Commercial insurance needs and current coverage
h. Other liability insurance needs and current coverage (e.g., umbrella, professional, errors and omissions, directors and officers)

E. Retirement

a. Current retirement plan tax exposures
b. Current retirement plans
c. Retirement strategies

F. Employee benefits

a. Available employee benefits
b. Current participation in employee benefits

G. Investments

a. Current investments
b. Current investment strategies and policies

H. Taxation

a. Tax returns
b. Current Tax strategies
c. Tax compliance status (e.g., estimated tax)
d. Current tax liabilities

I. Estate planning

a. Estate planning documents
b. Estate planning strategies

4. Analyze Client Objectives, Needs and Financial Situation

a. Analysis of relevant information
b. Need for specialist advice
c. Issues that require further clarification

5. Developing and presenting the Financial Plan

A. Developing and preparing a client-specific Financial Plan tailored to meet the goals and objectives of client, commensurate with client's value, temperament, and risk tolerance, covering:

1. Financial position

   a. Current statement
   b. Projected statement
   c. Projected statement with recommendations

2. Cash flow

   a. Projections
   b. Recommendations
   c. Projections with recommendations

3. Capital needs at retirement

   a. Projections
   b. Recommendations
   c. Projections with recommendations

4. Capital needs projections at death

   a. Recommendations
   b. Projections with recommendations

5. Capital needs: disability

   a. Recommendations
   b. Projections with recommendations

6. Capital needs: General needs

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a. Recommendations
b. Projections with recommendations

7. Capital needs: special needs

a. Recommendations
b. Projections with recommendations

8. Income tax

a. Projections
b. Recommendations
c. Projections with strategy recommendations

9. Employee benefits

a. Projections

10. Asset allocation

a. Statement
b. Strategy recommendations
c. Statement with recommendations

11. Investment

a. Recommendations
b. Policy statement
c. Policy statement with recommendations

12. Risk

a. Assessment

b. Recommendations

13. List of prioritized action items

a. Presenting and reviewing the plan with the client
b. Collaborating with the client to ensure that plan meets the goals and objectives of the client, and revising as appropriate

6. Implementing the Financial Plan

a. Assist the client in implementing and recommendations
b. Coordinate as necessary with other professionals, such as accountants, attorneys, real estate agents, investment advisors, stock brokers and insurance agents

7. Monitoring the Financial Plan

a. Monitor and evaluate soundness of recommendations
b. Review the progress of the plan with the client
c. Discuss and evaluate changes in client's personal circumstances, (e.g., birth/ death, age, illness, divorce, retirement)
d. Review and evaluate changing tax law and economic circumstances
e. Make recommendations to accommodate new or changing circumstances

Miscellaneous Topics

8. Internet Resources

a. Internet usage and application
b. Transactions over the net
c. Issues of security
d. Financial Planning using the Internet

9. Foreign exchange issues for individuals

a. Foreign Exchange Management Act (FEMA)

b. Currency risk management

10. Financial Planning for special needs and clients

a. Individual life cycle
b. Financial Planning for unmarried clients, single parents, widows/widowers, etc.
c. Financial Planning for returning Non Resident Indians
d. Other special needs and options (e.g., divorce, bankruptcy)

ADVANCED FINANCIAL PLANNING

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CASE

5

VISHAL GUPTA

(REFERENCE DATE 24TH NOVEMBER 2010)

Name		Age	Occupation	Employed With
Client	Vishal Gupta	44	Self Employed	
Spouse	Meenu Gupta	41	Job	FMCG Company
Child 1	Sameer	16	Student	
Child 2	Ankit	10	Student	

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Case Study: Vishal Gupta (Reference date 24th November, 2010)

Vishal Gupta has approached you, a CERTIFIED FINANCIAL PLANNER^{CM} Practitioner, for reparing a comprehensive Financial Plan to accomplish his financial goals. From your initial meeting, you have gathered the following information:

Vishal Gupta, aged 44 years with life expectancy 70 years, is self employed in Amritsar. Vishal's wife Meenu, aged 41 years with life expectancy 72 years, is working in a FMCG Company and is having a post-tax income of Rs. 4 lakh p.a. She is expected to retire at the age of 55 years. The couple has two children Sameer, aged 16 years and Ankit, aged 10 years. Sameer is studying in 10th standard while Ankit is studying in 4th standard. Vishal's net annual Income from retail medical store is Rs. 8 Lakh and their monthly household/living expenses, excluding housing loan EMI, are Rs. 32,500.

Vishal is a Graduate. He earlier served in a pharmaceutical company as a medical representative for approx. 10 years. After separation from the company, he started his own wholesale business of medicines but could not sustain for long due to lack of working capital. He shut down his operations after two years. Thereafter he got a contract for retail medical shop in the premises of a nursing home. The terms of the contact are profit sharing in the ratio 50:50. Investment in stock and handling all activities of medical store are of Vishal and no rent is charged by the owner of nursing home.

Vishal had taken a housing loan of Rs. 15 Lakh disbursed on 1st April 2005. They are presently paying an EMI of Rs. 17,285 at the end of every month beginning from the month of disbursement. The loan is at fixed rate of interest of 11.25% p.a. (reducing monthly balance basis) with tenure of 15 years. Vishal has taken a money back insurance plan of 20-year term with sum assured of Rs. 6 Lakh, the annual premium being Rs. 26,250. He has paid 14 annual premiums till date regularly. The policy provides for 20% of the basic sum assured to the insured as survival benefit after 4th, 8th, 12th, 16th years from the start of the policy. He has also taken a Mediclaim family floater policy which covers his spouse and two sons to the extent of Rs. 5 Lakh. He has also paid four regular annual premiums of Rs. 36,000 in a unit linked pension plan and next premium is due on 1st Dec 2010.

Vishal's parents are senior citizens and live in their own house in village Kharagpur. Their only source of income is by way of interest received from their joint Senior Citizen Savings Scheme account. Vishal's younger brother, who is also self-employed, is living with his parents.

Fixed Assets/Investments	Current Market Value
Residential House	Rs. 35 lakh
Car	Rs. 1.25 lakh
Diversified Equity MF Scheme	Rs. 2.5 lakh
PPF A/c (balance on 31st March, 2010, maturity on 1st April 2016)	Rs. 2.25 lakh
Gold ornaments with Meenu	Rs. 4.5 lakh
Stock value in medical Store	Rs. 10 lakh
EPF (Meenu Gupta, balance on 31st March, 2010)	Rs. 2.45 Lakh
Unit Linked Pension Plan (Vishal)	Rs. 2 Lakh
Agricultural Land	Rs. 10 lakh
Equity shares of Info Systems Ltd.	Rs. 2.50 lakh
PO MIS A/c (Jointly in the names of Sameer & Ankit)	Rs. 4.50 lakh

Vishal had invested Rs. 1 lakh to buy 200 shares of a listed company, Info Systems, in the year 2001-02. The Company had issued Bonus shares in the ratio 1:1 in the year 2005-06. Vishal also subscribed to the Company's Rights issue of one share for every four shares held at a price of Rs. 250 per share in Feb 2010. Vishal also invested Rs. 4 lakh in an Agriculture land at his native village Khargpur in 2000-01. Khargpur has a population of about 8,000 as per the Census 2001 and the nearest urban place is at a distance of 15 km.

Goals and aspirations

1. To make provision for their children's higher education expenses at their respective age of 21 years.
2. Such expenses are Rs. 5 lakh for each child at current prices.
3. To make provision for children's marriage expected at the end of 10 years and 15 years from now; presently valued at Rs. 5 lakh each.
4. Build a corpus for his retirement at the age of 58 years
5. To go on vacation with family in January, 2011

Assumptions

1. Inflation is currently 6% p.a. and is likely to remain the same.
2. Risk free interest rate is at 7% p.a.
3. Return on equity MF is 12% p.a.
4. Return on debt MF is 8% p.a.
5. Cost Inflation index is 281 for 1995-96, is 406 for 2000-01, is 463 for 2003-04, is 551 for 2007-08, is 582 for 2008-09 and is 632 for 2009-10.

Questions

1) During identification of new business opportunities, one of Vishal's friends Gautam has offered him a business proposal. In this proposal a partnership firm consisting of two partners, Vishal and Gautam, shall take the franchise of a company which is a reputed brand in the field of pathology lab in which their investment and profit sharing ratio shall be equal. Franchise rights shall be valid for 5 years and the project requires an upfront investment of Rs. 25 lakh for required infrastructure. The franchisee agreement has an option that the company can take over the franchisee after 5 years by charging depreciation @15% p.a. on straight line basis.

The projected profits from the firm are as follows:
Year 1 → 3.50 lakh
Year 2 → 4.74 lakh
Year 3 → 5.17 lakh
Year 4 → 6.35 lakh
Year 5 → 7.10 lakh

Vishal wants to know what IRR he will earn on his investment from this project. (Please ignore taxes and assuming no additional investment is made during this five year period)

A. 8.20%
B. 5.17%
C. 12.27%
D. 7.82%

2) Vishal incurred Rs. 10 Lakh on the construction of his house five years ago which has depreciated today to Rs. 7 Lakh. The cost of construction over the period has gone up by 70%. The depreciated value of household items is Rs. 2.5 Lakh and their present cost of replacement is Rs. 4 Lakh. Vishal wants to buy a Householders' insurance policy in such a way that the house is insured on reinstatement basis and household goods on the basis of written down value. How much total insurance coverage should he take from the insurance company?

A. Rs. 9.50 lakh
B. Rs. 19.50 lakh
C. Rs. 11.00 lakh
D. Rs. 12.50 lakh

3) Vishal's Unit Linked Pension Plan has total of 15-year premium paying term and the vesting date at his age of 55 years. According to the insurance company's projections the rate of return is 10% p.a. and the investments is Rs. 36,000 p.a. in the accumulation phase. After which he has an offer to purchase an immediate annuity pension plan from the same insurance company by investing whole of the accumulated amount, for which they have projected a fixed pension of Rs. 11,500 p.m. for 15 years in annuity due mode. This immediate pension plan is 'without return of purchase price'.
Vishal wants to know if he purchases an immediate annuity pension plan at the time of vesting date which would be 'with return of purchase price', how much premium should he pay in the
Accumulation phase every year starting from 1st Dec 2010 till the remaining premium paying term to be able to get same Rs. 11,500 p.m. for 15 years in annuity due mode in the immediate pension plan?
Assume the insurance company is able to generate 10% p.a. rate of returns now onwards till the Vesting date and the same rate of returns as projected by them earlier in the immediate annuity Pension. (Please ignore any charges if applicable)

A. Rs. 28,432
B. Rs. 64,432
C. Rs. 53,907
D. Rs. 77,877

4) Vishal's parents are maintaining a joint Senior Citizen Saving Scheme account in which Vishal is the sole nominee. Vishal wants to know the status of the account after the demise of either of his parents. Which of the following is not appropriate in this context?

A. The surviving parent may operate the account alone.
B. The surviving parent can receive the amount deposited and close the account.
C. Vishal, being the nominee, will automatically replace the deceased parent in the joint account along with the surviving parent.
D. The account may be continued for the remaining term with the surviving parent as the only holder and Vishal as the nominee.

5) Vishal wants to go abroad on a family vacation tour in January next year. A tour operator is offering him a package in which he has to pay only Rs. 20,000 on 1st January, 2011 which is 10% upfront amount, while the remaining amount is to be repaid in 36 EMIs of Rs. 7,500 each, first EMI payable on 1st February, 2011. Vishal wants to know the annual effective rate of interest which he may incur in subscribing to this offer.

A. 24.10% p.a.
B. 27.00% p.a.
C. 32.61% p.a.
D. 28.56% p.a.

6) The investment done in the joint PO MIS of Sameer and Ankit was from the savings of Meenu. This account was opened on 1st April 2009. Vishal wants to know the tax treatment of the interest income received from this PO MIS account, if provisions of AY 2010-11 are applicable today?

A. Interest income shall be taxable in the hands of Meenu.
B. Interest income shall be taxable in the hands of Vishal.
C. Interest income shall be taxable in the hands of Sameer and Ankit.
D. Data insufficient to ascertain the taxability of the interest.

7) Vishal wants to generate funds for his business by selling the entire shares of Info Systems at the prevailing market price of Rs. 500 per share through a recognized Stock exchange. What is the amount of Capital Gains for Vishal on sale of these shares if provisions of AY 2010-11 are applicable today?

A. Long Term Capital Gain of Rs. 1,25,000
B. Nil
C. Short Term Capital Gain of Rs. 25,000
D. Long Term Capital Gain of Rs. 25,000

8) Vishal has received an offer to sell his agricultural land for Rs. 11 Lakh. He wants to know, which of the following conditions does not hold for availing the exemption u/s 54 B of Income tax Act for capital gains arising on sale or transfer of agricultural land, if applicability of this section is foreseen.

A. The agricultural land is sold by Vishal in his individual capacity.
B. The agricultural land has been used by Vishal or his parents for agriculture purposes during the 2- year period immediately preceding the date of sale.
C. Vishal will purchase another agricultural land from the amount of capital gains within a period of 2 years after the date of sale of agricultural land.
D. Full consideration received from sale of agricultural land will be used in purchase of another agricultural land otherwise proportionate capital gain would be eligible for exemption.

9) An investment analyst has told Vishal to invest in a portfolio after evaluating on the following
Parameters -

1. The performance of portfolio adjusted by the return of risk free assets over the risk of portfolio

2. Measure of the volatility in a portfolio as compared to the entire market (index) as a whole
3. Measure of how many individual elements tend to deviate from the average
4. Measure excess return on an investment over the benchmark with same degree of risk
5. The proportion of variability in a portfolio compare to benchmark

The analyst also used a lot of terminology which confused Vishal. He wants to know how the terminology used fits into these evaluation parameters. You advise the terminology, respectively, as_______.

A. Beta, Sharpe Ratio, Standard Deviation, Alpha, R-Squared.
B. Sharpe Ratio, Beta, Standard Deviation, Alpha, R-Squared.
C. Alpha, R-Squared, Standard Deviation, Sharpe Ratio, Beta.
D. R-Squared, Sharpe Ratio, Standard Deviation, Alpha, Beta.

10) Vishal gives you information that his Life Insurance Company has declared reversionary Bonus on his money back Insurance plan at the rate of Rs. 45 per thousand sum assured p.a. for the first five years, Rs. 50 per thousand sum assured p.a. for the next five years and Rs. 55 per thousand sum assured p.a. for the next ten years. Vishal wants to know that in case of any eventuality with his life today, what amount would be receivable by his nominee from this Money Back Insurance plan.

A. Rs. 6.00 Lakh
B. Rs. 10.17 Lakh
C. Rs. 6.57 Lakh
D. Rs. 9.51 Lakh

11) Vishal wants to know what amount is eligible for deductible u/s 24 of Income Tax for housing loan repayments in computation of his Income tax liability for AY 2010-11.

A. Rs. 1,43,680
B. Rs. 1,43,080
C. Rs. 1,50,000
D. Rs. 1,44,270

12) You have advised Vishal to purchase a Rs. 50 lakh Life insurance Term Plan. Vishal wants to know whether it is necessary to mention the details of his other Life Insurance policy purchased from different insurance companies. In case he fails to mention the same in the proposal form and subsequently dies due to an accident, under which principle his claim could be questioned by the Insurer, if facts of the other existing insurance policy become known to the insurance company at the time of claim settlement.

A. Principle of Insurable Interest
B. Principle of Utmost Good Faith
C. Principle of Waiver and Estoppel
D. Principle of Indemnity

13) Vishal wants a monthly investment to achieve the goal of his children's higher education. For accumulation of fund you recommend Vishal to invest in an investment vehicle which invests in the ratio of 20:80 in Debt and Equity. If Vishal starts investing from 1st Dec 2010, what approximate amount should he set aside every month for each child to achieve the goal? Vishal maintains separate investment accounts for Sameer and Ankit and invests till they individually turn 21 years of age.

A. Rs. 8,400 and Rs. 3,760 respectively
B. Rs. 8,100 and Rs. 3,640 respectively
C. Rs. 9,540 and Rs. 4,240 respectively
D. Rs. 7,850 and Rs. 3,950 respectively

14) You suggest Vishal, to fulfill marriage expenses of Sameer and Ankit start monthly investment in existing diversified equity mutual fund scheme account from today. What is the monthly investment amount required, if the SIP continues till the marriage of his elder son?

A. Rs. 5,834
B. Rs. 3,566
C. Rs. 7,032
D. Rs. 6,027

Solution- Vishal Gupta

1. **A)**

Initial Investment		-12.5	-12.5	Lakh
Year 1 profit	3.50/2		1.75	Lakh
Year 2 profit	4.74/2		1.75	Lakh
Year 3 profit	5.17/2		2.585	Lakh
Year 4 profit	6.35/2		3.175	Lakh
Year 5 profit	7.10/2+(25*.25)/2		6.675	Lakh
	IRR		8.20%	

2. **B)**

The cost of construction incurred five year ago	1000000	
Cost escalation in construction over the last five Years	70%	
Correct cost of construction	1700000	1000000*1.7
Insurance require for building on reinstatement basis	1700000	
Insurance require for household contents on market	250000	
Total Sum Insurance required	1950000	

3. **B)**

According to the Insurance company projections, the accumulated amount at vesting date is	1258190	FV(10%,15,-36000,0,1)	CMPD, Set begin, n=15, I= 10%, PV= -360000, PMT=0, FV=Solve
The rate of returns in the immediate annuity pension plan would be	0.6141% p.m.	RATE(180,11500,-1258190,0,1)	CMPD, Set begin, n=180, I=Solve, PV= -1258190, PMT=11500, FV=0

Vishal, at this stage, wants to increase his premium amount suitably so as to get this accumulated amount at he end of annuity payment period.
Therefore, the revised corpus to be accumulated for immediate annuity of Rs. 11,500 p.m. for 15 years and return of purchase price
Assuming the corpus accumulated for annuity is Rs. 100

Monthly pension would be Rs.	0.6104	PMT(0.6141%,180,-100,100,1)	CMPD, Set begin, n=180, I= 0.6141,

			PV= -100, PMT=Solve, FV=100

Thus pension is Rs. 0.6104 p.m. by investing Rs. 100 at 0.6141% p.m. effective so that he would get Rs. 100 at the maturity

So to get pension of Rs. 11,500 p.m. The corpus should be Rs	1884027	100*11500/0.6104	
He needs to further invest Rs.	64432 p.a.	PMT(10%,11,200000,-1884027,1)	CMPD, Set begin, n= 11, I= 10%, PV= 200000, PMT=Solve, Fv= -1884027

4. **C)**

5. **C)**

Total cost of vacation tour	200000	20000*100/10	
Amount to be financed	180000	200000-20000	
Rs. 180,000 is the PV of annuity of Rs. 7,500 payable per month for 36 months			
PV	PV		
PMT	-7500		
NPER	36		
Rate	2.38% p.m.	RATE(36,-7500,180000,0,0)	CMPD, Set end, n= 36, I=Solve, PV= 180000, PMT= -7500, FV= 0
Therefore, Annual Effective Rate of Interest	32.61%	(1+2.38%)^12-1	

6. **B)** U/s 64(1A) of Income Tax Act

7. **C)**
Since, Long term capital gain for holding of equity shares for more than one year is exempt.
200 shares purchased in 2001-02 and allotted bonus shares sale proceeds exempt from Long term capital gains.
Sale of equity share for holding less than one year is liable to short term capital gain

Sale Consideration of 100 share issued as Right issue	50000	500*100
Less : Cost of 100 right shares	25000	250*100
Short term capital gain	25000	50000-25000

8. **D)**

9. B)

10. B)

Sum Assured	600000
Add Bonus	
45*600*5	135000
50*600*5	150000
55*600*4	132000
Total Claim	1017000

11. A)

Deduction allowed u/s 24 under Income tax Act
180

1-Apr-05	31-Mar-06	1 - 12
1-Apr-06	31-Mar-07	12 – 24
1-Apr-07	31-Mar-08	25 – 36
1-Apr-08	31-Mar-09	37 – 48
1-Apr-09	31-Mar-10	49 - 60

30-Apr-2009	49	12242	IPMT(11.25%/12,49,180,-1500000,0,0)
31-May-2009	50	12194	IPMT(11.25%/12,50,180,-1500000,0,0)
30-Jun-2009	51	12147	IPMT(11.25%/12,51,180,-1500000,0,0)
31-Jul-2009	52	12098	IPMT(11.25%/12,52,180,-1500000,0,0)
31-Aug-2009	53	12050	IPMT(11.25%/12,53,180,-1500000,0,0)
30-Sep-2009	54	12001	IPMT(11.25%/12,54,180,-1500000,0,0)
31-Oct-2009	55	11951	IPMT(11.25%/12,55,180,-1500000,0,0)
30-Nov-2009	56	11901	IPMT(11.25%/12,56,180,-1500000,0,0)
31-Dec-2009	57	11851	IPMT(11.25%/12,57,180,-1500000,0,0)
31-Jan-2010	58	11800	IPMT(11.25%/12,58,180,-1500000,0,0)
28-Feb-2010	59	11748	IPMT(11.25%/12,59,180,-1500000,0,0)
31-Mar-2010	60	11696	IPMT(11.25%/12,60,180,-1500000,0,0)

12. B)

13. A)

Equity	12%	0.9489%	(1+12%)^(1/12)-1	CNVR, n= 12, I=12%, APR=Solve, APR= 11.3865, monthly = 11.3865/12= 0.9489
Debt	8%	0.6434%	(1+8%)^(1/12)-1	
Inflation	6%	0.4868%	(1+6%)^(1/12)-1	

Name	Present	Lumpsum at age	time period	Amount Needed				
Sameer	16	21	5	669113	FV(6%,5,0,-500000,0)	CMPD, Set end, n= 5, I=	8410	669113*100/7957

						6%, PV= -500000, PMT=0, FV=Sol ve		
Ankit	10	21	11	94914 9	FV(6%,11, 0,-500000,0)		375 7	949149*100/25 261

Assume Rs. 100 Invested

	Debt Rs. 20	Equity rs. 80	Total Rs. 100 will became
Sumeet for 5 years	CMPD, n= 12*5, I=0.6434, PV=0, PMT=20, FV=Solve= 1468	CMPD, n= 12*5, , I= .9489, PV=0, PMT= 80, FV=Solve= 6488	Rs. 7957
Ankit	CMPD, n= 12*11, I=0.6434, PV=0, PMT=20, FV=Solve= 4166	CMPD, n= 12*11, , I= .9489, PV=0, PMT= 80, FV=Solve= 21095	Rs. 25261

14. B)

Present Exp	500000			
After 10 years	895424	FV(6%,10,0,-500000,-1	288303	PV(12%,10,0,-895424,1)
After 15 years	1198279	FV(6%,15,0,-500000,-1	218921	PV(12%,15,0,-1198279,1)
			257224	288303+218921-250000
			3566	PMT((1+12%)^(1/12),-1,120,-2577224,0,1)

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