Roots Institute of Financial Markets

RIFM

Advanced Financial Planning

Practice Book Part 2

Case Studies 2

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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.

We Are Constantly Engaged In Providing A Unique Educational Solution Through Continuous Innovation.

Wish You Luck……………

Faculty and Content Team, RIFM

Our Team

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- IRDA Certified For General Insurance
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- Derivatives Market (Dealers) Module
- Commodities Market Module

Kavita Malhotra

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- AMFI Certified for Mutual Funds
- IRDA Certified for Life Insurance
- 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)

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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

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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CONTENTS

CASE

FPSB
CASE
E

MAHESH DESAI
(REFERENCE DATE 2 APRIL 2010)

Name		Age	Occupation	Employed With
Client	Mahesh Desai	45	Job	MNC
Spouse	Neelam Desai	42	Job	Private Company
Child 1	Sapna	18	Student	
Child 2	Varun	16	Student	

Case – E:

(Reference Date: 2nd April 2010)

Mahesh and Neelam Desai approached you a CERTIFIED FINANCIAL PLANNER[CM] for preparing a Financial Plan to achieve their financial goals. Mahesh Desai, aged 45 years, is working in Bangalore for an MNC, at a managerial level. His wife Neelam, aged 42 years, is working in a Private Company and has a post-tax income of Rs. 4 lakh p.a. She is expected to retire at the age of 55 years. Mahesh's gross salary is likely to grow at 7% p.a. and Neelam's gross salary is likely to grow at 6% p.a. The couple has two children - daughter Sapna, aged 18 years, pursuing her Graduation in Economics, and son Varun, aged 16 years, studying in 12th standard. Varun intends to become a Doctor.

Mahesh's monthly household expenses are Rs. 40,000 out of which Rs. 8,000 is of Mahesh's personal expenses, this excludes EMI on loans and Insurance premiums. Mahesh has two siblings. Mahesh and his family stay with his mother. His father passed away due to severe heart attack on 15-Dec-2009, at the age of 75 years, leaving a house (Value on 15th Dec 2009 Rs. 25 lakh) in which they are currently staying.

Mahesh has a term insurance of Rs. 20 lakh (for 20 years), the term expires 5 years from now. Both are covered under Group Medical Insurance for Rs. 4 Lakh family floater each provided by their respective employers.

Salary Breakup of Mahesh for FY 2010-11

Components	Annually (Rs.)
Basic	4,16,000
House Rent Allowance	2,70,000
Dearness Allowance	1,50,000
Transport Allowance	40,000
Medical Reimbursement	30,000
Entertainment Allowance	42,000
Total	9,48,000

The couple's assets as on 31-3-2010 are;

1. Cash in Hand Rs. 10,000
2. Bank balance Rs. 50,000
3. Diversified Equity Mutual Fund units at market value Rs. 2.60 lakh
4. Equity Shares at market value Rs. 15.25 lakh
5. Debt oriented Mutual Fund units at market value Rs. 1.65 lakh
6. PPF A/c balance Rs. 4.25 lakh (Mahesh), Rs. 3.15 lakh (Neelam), both maturing on 1st April 2016
7. ELSS Mutual Fund units at market value Rs. 75,000
8. A separate house is in the joint name of Mahesh and Neelam with 50% ownership of each. This house has two floors and is let out for rent of Rs. 8,000 p.m. each floor. Present Market Value of this House is Rs. 70 Lakh1
9. Gold Ornaments at market value Rs. 6.35 lakh
10. Car at market value Rs. 2.60 lakh
11. 300 Gold ETF units purchased on 17th Oct 2006 @ 983 per unit
12. National Saving Certificates invested amount Rs. 4 lakh
13. Money back insurance plan of 20 year term with sum assured of Rs. 5 Lakh2
14. Unit linked insurance plan of 10 years with sum assured of Rs. 5 lakh3

[1] Mahesh and Neelam had jointly taken a housing loan of Rs. 30 Lakh to purchase the house costing Rs. 37.50 Lakh on 1st April 2003. The pay an EMI of Rs. 16,349 each, EMI date being last day of the month. The loan is for 15 years at a fixed rate of interest of 10.25% p.a.

[2] Annual premium of Rs. 23,750. Paid 16 annual premiums till date before due date. The policy provides 25% of basic sum assured to insured as survival benefit after 5th, 10th, 15th years from the start of the policy.
[3] Annual premium of Rs. 35,000 p.a.

Liabilities
Housing loan outstanding : Rs. 21.36 Lakh

Goals & Aspirations:-

1. Plan for Varun's medical education expenses which is likely to be Rs. 3.50 lakh at the end of one year from now and increasing thereafter at 8%p.a. during the next 4 years.
2. Plan for Sapna's goal of Post Graduation degree from abroad which is likely to cost Rs. 10 lakh in present terms required after three years.
3. Create a separate fund to provide every year post-retirement till his lifetime, vacation expenses amounting to Rs. 50,000 in current terms, such expenses increasing at the rate of 7% p.a.
4. To accumulate funds for marriage of Varun and Sapna. For Varun they will require in present terms Rs. 10 lakh when he attains 26 years and for Sapna he would require Rs. 15 lakh when she attains 25 years.
5. Build a retirement corpus for expenses in his post-retirement period at 75% of pre-retirement expenses at the retirement age of 60 years.

<u>Life Expectancy</u>
Mahesh : 80 years
Neelam : 78 years

Assumptions regarding long-term pre-tax returns on various asset classes:
1. Equity & Equity MF schemes/ Index ETFs : 11.00% p.a.
2. Balanced MF schemes : 9.00% p.a.
3. Bonds/Govt. Securities/Debt MF schemes : 7.00% p.a.
4. Liquid MF schemes : 5.50% p.a.
5. Gold & Gold ETF : 7.50% p.a.

Assumptions regarding economic factors:
1. Inflation : 5.50% p.a.
2. Expected return in Risk free instruments : 6.50% p.a.
3. Real Estate appreciation : 8.00% p.a.

Cost Inflation Index

1981-82	100	1986-87	140	1991-92	199	1996-97	305	2001-02	426	2006-07	519
1982-83	109	1987-88	150	1992-93	223	1997-98	331	2002-03	447	2007-08	551
1983-84	116	1988-89	151	1993-94	244	1998-99	351	2003-04	463	2008-09	582
1984-85	125	1989-90	172	1994-95	259	1999-00	389	2004-05	480	2009-10	632
1985-86	133	1990-91	182	1995-96	281	2001-01	406	2005-06	497		

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Questions

1 You have mentioned to Mahesh & Neelam Desai that you shall ensure all information and relevant documents given to or gathered by you are securely stored to establish at any time that it has complied with the FPSB India's Professional Standards and be available for inspection by the FPSB India when required. Such records shall be retained for seven years from the date the document was last acted upon. This is according to the Code of Ethics of __________.

A. Compliance
B. Professionalism
C. Diligence
D. Objectivity

2 Mahesh's brother is an NRI working in US. He has been hearing about the phenomenal returns being generated by the Indian Stock markets. He has approached you to direct his investment in some good equity scheme of any of the top five Funds. What would you suggest to him?

A. He can choose any of the existing diversified equity schemes and invest in bulk amount.
B. He should make a portfolio of different funds depending upon his financial goals and investment tenure.
C. Being NRI he cannot invest in Mutual Funds .
D. He should wait for some time before investment as the markets may come down still further.

3 Which of the following would affect Net Worth of Mahesh?

1. Repayment of a loan using funds from a savings account.
2. Purchase of an automobile that is 75% financed with a 25% down payment.
3. Increase in Nifty, and assuming Mahesh has a Nifty indexed Mutual Fund in his portfolio.
4. Interest rates increase, and assuming Mahesh has a substantial bond portfolio.

A. 2 and 3
B. 3 and 4
C. 1, 3 and 4
D. 1, 2 and 4

4 You have ascertained that Mahesh needs a life insurance of at least Rs. 50 lakh on top priority. At his age, a term insurance plan for a 10-year term is available for annual premium of Rs. 10,000 and for a term of 15 years the same is available for an annual premium of Rs. 12,000. He is, however, concerned of getting 'nil' survival benefits in case of term insurance policies, though he can currently ill afford a high premium for endowment or 'with profit' type of policies. A 'return of premium' term policy for a term of 10 years for Rs. 20 Lakh sum assured would annually cost Rs. 18,000 for his profile. He wants to know which among the following would be the most appropriate policy for him in the current circumstances.

A. He should take the term plan for 15 years, which will take care of his liabilities during this period in case he dies prematurely.
B. He should take the term plan for 10 years only as the premium outflow here is the least.
C. He should take the 'return of premium' policy which would yield Rs. 2 Lakh to provide for his liabilities when he is around 55 years of age.
D. He should take 10-year term policy along with a 10-year 'return of premium' policy to the extent of Rs. 10 lakh to optimize on premium payment while getting survival benefits.

5 Mahesh purchased a Health Insurance. The policy has a calendar-year deductible of Rs. 500 and 80:20 as coinsurance. Mahesh was hospitalized with a covered illness on January 23rd 2009. This hospitalization was his first claim under the said policy for the calendar year. His covered medical expenses were Rs. 20,500. How much of this amount will the insurer pay and how much will Mahesh be required to pay to the Hospital?

A. The insurer will pay Rs. 16,500 and Mahesh will pay Rs. 3,500
B. The insurer will pay Rs. 20,500 and Mahesh will pay Rs. Nil
C. The insurer will pay Rs. 15,500 and Mahesh will pay Rs. 4,500
D. The insurer will pay Rs. 20,000 and Mahesh will pay Rs. 500

6 Mahesh is not satisfied with the returns generated by his ULIP. He wants to surrender his ULIP. A premium allocation charge applicable in the policy is 20% for the first year, 10% for next 2 years and 5% for the remaining term of the policy. Mortality charges of Rs. 1.95 per thousand. Sum assured and administrative charges Rs. 480 p.a charged in the beginning of the year from the fund value and is fixed for the whole term of the policy. Fund management charges 1.75% of closing fund value is deducted at the end of every year. He wants to know from you, what should be the surrender value of his policy. If no surrender charges are applicable? (First premium was paid on 4th April 2005. He had opted for growth (100% equity) fro first three years and debt fund for remaining term of policy. ULIP has given 10% return in growth option and 6% return in debt option consistently since inception of policy.)

A. 140345
B. 179275
C. 150272
D. 160191

7 In order to provide for Medical Education Exp. of Varun he will be transferring whole of Equity share portfolio to Debt MF. And for Sapna's PG degree he is ready to use his Equity MF portfolio. Balance to be met by SIP in equity MF. Starting from today. You are required to guide Mahesh whether he will be able to meet Varun's Education Expand what is the surplus or deficit in Debt MF (today value). And what should be the SIP amount for Sapna's Education goal?

A. No,23629 Deficit and 19451
B. Yes,23629 Surplus and 19282
C. Yes, 113685 surplus and 18816
D. No, 113685 Deficit and 19005

8 Mahesh and Neelam plan to invest separately in their respective PPF accounts sums of Rs. 35000 each in the beginning of 3rd April and 3rd October every year with immediate effect. Mahesh's PPF account maturity will be used for Sapna's marriage and Neelam's PPF maturity will be used for Varun's marriage The PPF account maturity amounts when received are invested separately in Debt Mutual Fund Scheme for a further period till the respective amounts are required for the intended purpose. You estimate the Surplus or deficit so as to meet the target amount for the marriage of their children.

A. Deficit 8.7 lakh for Sapna and Deficit 3.2 lakh for Varun
B. Surplus 8.7 lakh for Sapna and Deficit 3.2 lakh for Varun
C. Deficit 3.2 lakh for Sapna and Surplus 8.7 lakh for Varun
D. Surplus 8.7 lakh for Sapna and Deficit 3.2 lakh for Varun

9 Mahesh wants to accumulate a fund exclusively for her retirement. He wants to get an inflation adjusted monthly income to extent of 75% of his preretirement expenses at the retirement age of 60 years. You have advised him to invest monthly in debt MF and equity MF in ratio of 30:70 till completes 55 years. You have further advised him to rebalance the portfolio from the beginning of 56 years in ratio of 60:40 along with further monthly investment to be in the said revised ratio till he retires. The accumulated funds at the time of retirement would be invested in a risk free investment. How much he have to invest monthly amount from 5th April 2010? (Retirement corpus should continue til the

expected life of Neelam)

A. 40500
B. 40000
C. 39000
D. 38500

10 Mahesh average purchase rate of Infosys share is Rs. 1,000/- per share. At present it is Rs.2,000/- per share. He wants to protect his gains. What would you advise him as the best Option? Assume Rate of 2010 Call is Rs 50, 2010 Put is Rs.55, 1980 Call is at Rs.60 and 1980 Put is at Rs.63. Assume that ten days are left for expiry of the Option.

A. Buy a 2010 Call Option
B. Buy a 1980 Call Option
C. Sell a 2010 Call option.
D. Buy a 2010 Put Option

11 Mahesh's Debt Mutual Fund portfolio has generated returns of 11% p.a. over a period of 2 years. He wants to know the actual return of his portfolio, after tax and inflation, if his income tax slab is 30%. (Indicate nearest figure).

A. 1.60% p.a.
B. 1.70% p.a.
C. 4.70% p.a.
D. 3.50% p.a.

12 Mahesh wants to invest in shares of XYZ ltd the details of which are as follows:
- Required rate of return is 16%.
- Face Value Rs. 50/-
- Expected Dividend payout ratio is 30%.
- Expected return on Equity is 20%

What price would you recommend for a share of XYZ Ltd?

A. Rs. 140/-
B. Rs. 150/-
C. Rs. 160/-
D. Rs. 120/-

13 What amount of Home loan payment is eligible for sec 80C of Income Tax Act 1961 deduction for Mahesh as well as Neelam. [Ignore other investments for this purpose]

A. 170634/2 each
B. 221742/2 each
C. 164152/2 each
D. 228224/2 each

14 Calculate income from House property for Mr. Mahesh for assessment year 2010-11.

A. 67200
B. 46912
C. 82800
D. 7800

15 The Fully Convertible Debentures of XYZ ltd which Mahesh bought in the year 2004-2005 was fully converted into Equity Shares in July 2009. He wants to know the tax treatment if he sells such equity shares in recognized stock exchange today.

A. It will be taxed as long term capital gains
B. It will be taxed as short term capital gains
C. Not chargeable to tax
D. The transaction would be considered as income from other sources

Solutions

1 A)

2 B)

3 B)

4 A)

5 D)

6 B)

Policy Year	Annual Premium	Premium Alloc Charges	Amount Invested	Policy Adm. Charges	Mortality Charges	Fund Value after charges	Investment Returns	Fund Value c/f (before FMC)	FMC Charges	Outstanding Fund Value
4/4/2005 to 3/4/2006	35000	7000	28000	480	975	26545	10 %	29200	511	28689
4/4/2006 to 3/4/2007	35000	3500	31500	480	975	58734	10 %	64607	1131	63476
4/4/2007 to 3/4/2008	35000	1750	31500	480	975	95271	10 %	104798	1834	102964
4/4/2008 to 3/4/2009	35000	1750	33250	480	975	134759	6%	142845	2500	140345
4/4/2009 to 3/4/2010	35000	1750	33250	480	975	172140	6%	182469	3193	179275

7 B)

Varun

			PV of Exp(discounted @ 7%)
after 1yr	1	350,000	327,103
after 2 yr	2	378,000	330,160
after 3 yr	3	408,240	333,245
after 4yr	4	440,899	336,360
after 5 yr	5	476,171	339,503
present value of investment in Debt fund			1,666,371
Total of Debt fund	1,525,000	165,000	1,690,000
Balance which can be used for any other purpose			23,629

Sapna

cost of education today	1,000,000		
value after 3 years	1,174,241	Return of Equity MF	11%
		Monthly APR	0.873459
Current value of Equity MF	260,000		
Value after 3 years	355,584		
Shortage to be accumulated with help of SIP	818,657		
SIP amount to reach the goal	19,282		

8 A)

For Sapna Mahesh's PPF						
Date	O/s Balance		Contribution	Int on Current year contribution	Interest on O/s Balance	Closing Balance
1/4/2010	425000	3/4/2010	35000	2800	34000	
		3/10/2010	35000	1400		533200
1/4/2011	533200	3/4/2011	35000	2800	42656	
		3/10/2011	35000	1400		650056
1/4/2012	650056	3/4/2012	35000	2800	52004.48	
		3/10/2012	35000	1400		776260.5
1/4/2013	776260.5	3/4/2013	35000	2800	62100.84	
		3/10/2013	35000	1400		912561.3
1/4/2014	912561.3	3/4/2014	35000	2800	73004.91	
		3/10/2014	35000	1400		1059766
1/4/2015	1059766	3/4/2015	35000	2800	84781.3	
		3/10/2015	35000	1400		1218748
1/4/2016	1218748					

Present Age of Sapna	18		
Age of marriage	25		
Years till marriage	7		
current cost of marriage	1500000	Inflation	5.50%
then cost of marriage	2182019		

Maturity to be invested in Debt MF(return)	7%	Proceed to grow at the time of marriage	1304060	Deficit	877959

For varun Neelam's PPF						
Date	O/s Balance		Contribution	Int on Current year contribution	Interest on O/s Balance	Closing Balance
1/4/2010	315000	3/4/2010	35000	2800	25200	

		3/10/2010	35000	1400		414400
1/4/2011	414400	3/4/2011	35000	2800	33152	
		3/10/2011	35000	1400		521752
1/4/2012	521752	3/4/2012	35000	2800	41740.16	
		3/10/2012	35000	1400		637692.2
1/4/2013	637692.2	3/4/2013	35000	2800	51015.37	
		3/10/2013	35000	1400		762907.5
1/4/2014	762907.5	3/4/2014	35000	2800	61032.6	
		3/10/2014	35000	1400		898140.1
1/4/2015	898140.1	3/4/2015	35000	2800	71851.21	
		3/10/2015	35000	1400		1044191
1/4/2016	1044191					

Present Age of Varun	12		
Age of marriage	25		
Years till marriage	13		
current cost of marriage	1000000	Inflation	5.50%
then cost of marriage	2005774		

Maturity to be invested in Debt MF(return)	7%	Proceed to grow at the time of marriage	1676743	Deficit	329031

9 A)

Present Age of Mahesh = 45 Retirement Age = 60 Years to retirement = 15(60-45) Expected Life = 75	Present Age of Neelam = 42 After 15 years Neelam's Age = 57(42+15) Annuity Required for = 21 years (78-57)

Present Monthly Expenses = 40000
Amount needed in first
Month after retirement = 89299*75% = 66974
[Set: End n = 15, I = 5.5%, PV = 40000, PMT= 0, FV= Solve]

		Effective	Monthly
Risk free rate	6.50%	6.314	.526
Inflation rate	5.50%	5.366	.447
Inflation adjusted	.9478	.9437	.0786
Corpus needed	15317667	[Set: Begin, n= 21*12, I= 0.786, PV = Solve, PMT= 66974, FV = 0]	

Monthly Rate

Debt 7% APR = 6.784/12 = 0.5653
Equity 11% APR = 10.4815/12 = 0.8734
Assume Mahesh has invested Rs 1 per month

	Debt		Equity		Total
FV at the age till 55	51.601	[Set: Begin, n= 10*12, I= 0.5653, PV= 0, PMT = -.30,FV= solve]	148.694	Set: Begin, n= 10*12, I= 0.8734, PV= 0, PMT = -.70,FV= solve]	200.29
Assets Reallocated	120.17	[200.29 *6]	80.11	[200.29*.4]	
FV at the age till 60	211.5	Set: Begin, n= 5*12, I= 0.5653, PV= 120.17, PMT = -.60,FV= solve]	166.64	Set: Begin, n= 5*12, I= 0.8734, PV= 80.18, PMT = -.40,FV= solve]	378.14

To get 15317667 he needs to invest = 40507
= (1 x 1531667/378.14)

10 C)
Sell a 2010 Call option. Note- By selling a call option Anil gets a premium of Rs.50/ per share, thus gaining Rs.60/- per share from the present rate, at the same time does not loose any money if rate falls up to Rs.1960/-per share (2010-50), and in case rate falls below this shares could be sold.

11 A)

Gross return obtained	11% p.a.	
After Tax return	7.7% p.a.	11%*(1-0.3)
Inflation	6% p.a.	
Inflation adjusted post tax return	**1.60%**	(1+7.7%)/(1+6%)-1

12 B)

13 C)

Home Loan 30 lakh for 15 years
Loan Date 1-4-2003
Loan paid for 6 years
1-4-03 to 31-3-04
1-4-04 to 31-3-05
1-4-05 to 31-3-06
1-4-06 to 31-3-07
1-4-07 to 31-3-08
1-4-08 to 31-3-09
Current Financial year 1-4-2009 to 31-3-2010
EMI Paid = 16349*2 = 32968
Balance on 1-4-09 = 2300430
[Set: End, n= 72 , I = 10.25/12, PV= 3000000, PMT = -32698, Fv= Solve]

Balance on 1-4-10 = 2136278
[Set: End, n= 84, I = 10.25/12, PV= 3000000, PMT = -32698, Fv= Solve]

Principal Paid = 164152 (2300430-2136278)
Interest Paid = 228224 ((32698*12)-164152)

14 B)

Rent Received	96000
Gross Annual Value	96000
Less: Muncipal Taxes	NIL
Net annual Value	96000
Less: Deduction u/s 24	
Standard Deduction@ 30%	28800
	67200
Less: Interest on Home loan3	
228224/2	(114112)
	(46912)

15 B) u/s 49(2A) of the Income Tax Act

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