

# Roots Institute of Financial Markets

RIFM



**Practice Book**

**Introduction to Financial Planning**



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# Forward

Welcome to RIFM

Thanks for choosing RIFM as your guide to help you in CFP Certification.

Roots Institute of Financial Markets is an advanced research institute Promoted by Mrs. Deep Shikha CFP<sup>CM</sup>. 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



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## Our Team

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- M.Com., B.Ed.
- AMFI Certified for Mutual Funds
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- IRDA Certified for General Insurance
- PG Diploma in Human Resource Management

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- Capital Market (Dealers) Module
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- Commodities Market Module

### **Kavita Malhotra**

- M.Com. Previous (10th Rank in Kurukshetra University)
- AMFI Certified for Mutual Funds
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- Certification in all Modules of CFP<sup>CM</sup> Curriculum (FPSB India)



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# Unit 1

## Financial Planning Process

1. Arrange the following financial planning functions into the logical order in which these functions are required to be performed by a certified financial planner.

- I. Interview clients, identify preliminary goals
- II. Monitor financial plans
- III. Prepare financial plan
- IV. Implement financial strategies, plans and products
- V. Collect, analyze and evaluate client data

- A. I,III,V,IV,II
- B. V,I,III,II,IV
- C. I,V,IV,III,II
- D. I,V,III,IV,II

2. A comprehensive financial plans include:

- A. Wealth accumulation
- B. Wealth Distribution
- C. Risk Management
- D. All of the above

3. While review of a financial plan, what are the factors to be considered:

- A. Change in the client's objective
- B. Change in client's earning
- C. Change in the economy
- D. All of the above

4. \_\_\_\_\_ is the process of meeting the goals of your life through the proper management of your financial resources.

- A. Financial planning
- B. Budgeting
- C. Cash inflow/outflows
- D. Savings

5. Financial planning is the process of developing a personal roadmap for your financial well being. Which of the inputs are required for the financial planning process?

- A. Your finances, i.e. your income, assets and liabilities
- B. Your goals, i.e., your current and future financial needs
- C. Your appetite for risk
- D. All of the above



44. The client behavior is influenced by which of the following motivators in order to regulate his needs and wants.
- A. Social needs
  - B. Self requirements needs
  - C. Psychological needs
  - D. All of the above
45. Which of the following is true in regard to a financial planner's liability?
- A. A disclaimer removes all liability
  - B. A principal advices is liable for actions of representative
  - C. Advice is distinguishable from a recommendation.
  - D. An adviser may be held liable for failure to predict economic changes.
46. Which of the following are not a license/ certificate according to present licensing/ certification regulations?
- A. Stock broker
  - B. Sub-broker
  - C. Insurance agent
  - D. All of the above are licenses/ certificates
47. Which of the following tests apply to reasonable basis for recommendations?
- I. Know your client
  - II. Obey Trade Practices Acts
  - III. Know relevant rules and regulations
  - IV. Know your products
- A. I and II
  - B. II and III
  - C. III and IV
  - D. I and IV
48. Which of the following is true; a professional financial planner provides
- I. Only comprehensive financial advice to clients encompassing, estate planning, insurance risk management, income and expenditure (cash flow). Retirement benefits, investment planning and taxation.
  - II. A professional financial planner may provide limited advice, if the discloses the fact at the outset to the client.
- A. Both I and II are false
  - B. I is true but II is false
  - C. I is false but II is true
  - D. I is true provided, the financial planner is a CFP<sup>TM</sup> certificant



49. A financial planner who receives commission from companies on sale of investment/ insurance products to a client is being unprofessional.

- A. The above statement is true
- B. The above statement is false
- C. The above statement is false, provided the financial planner discloses the fact to the client at the beginning of the relationship.
- D. The above statement is true, provided he also charges service fees from the client.

50. A professional financial planner is one who

- A. Takes pride in his/her work
- B. is committed to quality
- C. Is dedicated to the interest of the client
- D. All of the above

55. Any personal information about the client may not be used by the financial planner except

- A. To comply with legal requirements
- B. If it causes harm to the client
- C. To carry out the client engagement
- D. A and C

136. The code of ethic of fairness requires all of the following except

- A. The client should be informed of the nature of services offered
- B. A member's compensation shall be fair and reasonable
- C. A member may provide references including recommendations from former or present clients
- D. A member shall show respect for other financial planning professionals and related occupational groups.

137. The market has doubled in last 6 months. A retiree client with limited exposure in equities calls you up and complains about the poor returns his bon investments (under your advice) are making. You respond by:

- A. Explaining the logic of his asset allocation.
- B. Helping him increase his equity exposure)
- C. Apologizing for poor performance
- D. Referring him to a well known equity portfolio manager

138. A client approaches you with a request that requires the intervention of an outside professional. You would:

- A. Refer client to the professional
- B. Go ahead on your own



- C. Read on the subject
- D. Refer him to another professional planner

139. Inflation hedge ratio is equal to \_\_\_\_\_.

- A. Income tax liability /monthly expense
- B. Liquid assets and other financial Assets/ net worth
- C. Equity, tangible and personal assets/net worth
- D. Income Tax liability / Total realized increases in net worth.

140. While monitoring a financial plan you would do all of the following except

- A. Undertake a strategic review
- B. Undertake a portfolio review
- C. Provide information on new investment opportunities
- D. Get the letter of engagement signed

141. While implementing a financial plan, you would

- A. Devise an action to proceed
- B. Get a letter of engagement signed
- C. Define the scope of services
- D. Define mutual responsibilities





Answer Sheet Unit-1							
1	D	39	C	77	D	115	B
2	D	40	D	78	D	116	C
3	D	41	B	79	C	117	C
4	A	42	B	80	D	118	D
5	D	43	A	81	D	119	B
6	C	44	D	82	C	120	D
7	D	45	B	83	A	121	D
8	C	46	D	84	B	122	D
9	C	47	D	85	C	123	D
10	D	48	C	86	D	124	C
11	D	49	C	87	A	125	C
12	A	50	D	88	C	126	C
13	D	51	C	89	D	127	C
14	D	52	D	90	D	128	C
15	D	53	D	91	B	129	A
16	C	54	C	92	B	130	D
17	A	55	D	93	B	131	B
18	C	56	C	94	A	132	C
19	B	57	B	95	C	133	D
20	C	58	C	96	C	134	B
21	D	59	B	97	D	135	B
22	A	60	D	98	B	136	D
23	A	61	D	99	B	137	A
24	D	62	B	100	B	138	A
25	A	63	B	101	C	139	C
26	C	64	B	102	B	140	D
27	A	65	D	103	B	141	A
28	B	66	B	104	B	142	D
29	B	67	B	105	C	143	D
30	B	68	D	106	A	144	A
31	C	69	A	107	A	145	C
32	C	70	A	108	B	146	B
33	B	71	B	109	B	147	B
34	C	72	D	110	B	148	C
35	A	73	C	111	B	149	A
36	B	74	A	112	D	150	A
37	D	75	C	113	B	151	C
38	C	76	B	114	A	152	A



Solution 145: Step 1: Press cash button

Step 2: Go to cash editor and press execute (EXE)

Step 3: Insert cash inflows and outflows as shown below. Keep in mind cash outflows will be negative

1 to 20=-100

21=3310

Press ESC and solve IRR =5%

Solution148: Step 1: Press cash button

Step 2: Go to cash editor and press execute (EXE)

Step 3: Insert cash inflows and outflows as shown below. Keep in mind cash outflows will be negative

Project L

1=-1100

2=0

3=300

4=500

Press ESC and solve IRR =11.36%

IRR=20.45%

Project S

1=-1100

2=1000

3=350

4=50

Press ESC and solve

Solution 150: 1=-98,000

2=2000

3=4000

4=7000

5=9000

6=13000

7=19000

Press ESC and solve IRR=11.95%



## Unit 2

### General principles

153. A CFP<sup>CM</sup> certificant send his/her client data to the bank for some consideration. Is there violation of any of code of ethics? If yes, then which of the code of ethics is being violated?

- A. Code of Ethic of Objectivity
- B. Code of Ethic of Integrity
- C. Code of Ethic of Confidentiality
- D. Code of Ethic of Competence

154. A CFP<sup>CM</sup> Certificant should always act in the

- A. Interest of the company he is working for
- B. Interest of the client
- C. In his own interest
- D. All of the above

155. The code of Ethic in general standards that shall be applied to all classifications of membership unless otherwise stated, every member shall confirm to the general standards set out in this article in their professional activities and conduct. Which of the following is/are included?

- I. Integrity
- II. Objectivity
- III. Competence
- IV. Fairness
- V. Confidentiality
- VI. Professionalism
- VII. Diligence
- VIII. Compliance

- A. I and II
- B. III and IV
- C. I Only
- D. All of the above

156. What will be the EMI for a loan of Rs.2000, 000 taken at 12% p.a.compounded monthly? The tenor for the loan is 20 years.

- A. 276192
- B. 22723
- C. 28403
- D. 267192



191. Which code of ethic asserts that a financial planner should provide the client all information regarding the company responsible for the advice and the identity of the representative?

- A. Code of Ethic of Fairness
- B. Code of Ethic of Integrity
- C. Code of Ethic of Confidentiality
- D. Code of Ethic of Professionalism

192. Beta, a CFP designee, met a person at a marriage party and when asked by the person, he gives some investment advise so that person without collecting sufficient relevant data about him, because of this the person suffered losses. Has Beta violated any code of ethic, if yes then which one?

- A. Code of Ethic of Diligence
- B. Code of Ethic of Integrity
- C. Code of Ethic of Confidentiality
- D. Code of Ethic of Competence

193. A CFP designee can share his client's personal information if required by law or to defend him against charges of wrong doing?

- A. True
- B. False
- C. Partly True
- D. Partly False

194. As per\_\_\_\_ a CFP designee should disclose all information related to his qualifications, competence, business affiliations, telephone numbers, credentials, compensation structure etc. to his clients.

- A. Code of Ethic of Objectivity
- B. Code of Ethic of Professionalism
- C. Code of Ethic of Confidentiality
- D. Code of Ethic of Fairness

195. Which code of Ethics specifies that the CFP Designee shall disclose to the client at the earliest point about his limitations/restrictions in providing any particular product or services?

- A. Code of Ethic of Integrity
- B. Code of Ethic of Fairness
- C. Code of Ethic of Objectivity



D. Code of Ethic of Professionalism

196. Code of Ethic of Diligence is at serial number\_\_\_in the 8 code of Ethic prescribed by FPSB, India to be followed by CFP practitioners.

- A. 7
- B. 2
- C. 6
- D. 3

197. Code of Ethic of competence is at serial number\_\_\_in the 8 code of Ethic prescribed by FPSB, India to be followed by CFP practitioners.

- A. 2
- B. 5
- C. 3
- D. 8

287. A period when an economy is experiencing falling unemployment and stable non-inflationary growth in GDP is termed as \_\_\_\_\_

- A. Recession
- B. Depression
- C. Expansion
- D. Stagflation

288. A period when an economy is experiencing negative growth in GDP and slowly rising unemployment is termed as \_\_\_\_\_

- A. Recession
- B. Depression
- C. Expansion
- D. Stagflation

289. GDP calculations do not include \_\_\_\_\_

- A. Private and public consumption
- B. Government outlays
- C. Exports less imports
- D. Production figures of foreign subsidiaries of Indian companies

290. If a fifteen year old approaches you to make his Financial plan, you will most likely not accept him as a client because \_\_\_\_\_

- A. He may not be a high net worth individual



- B. He may not have long-term goals
- C. He may not be able to afford your fees.
- D. He is not deemed to be legally capable of entering into a Contract.

291. The Savings Ratio indicates the proportion of \_\_\_\_\_

- A. Savings/ Gross Income
- B. Savings/ Post tax Income
- C. Investments/Gross Income
- D. Investments/Post-tax Income

292. \_\_\_\_\_ is a measure of systematic risk

- A. Correlation coefficient
- B. Beta
- C. Alpha
- D. Sharpe Ratio

293. An increase in the general level of interest rates will most probably result in a home loan borrower refinancing his loan.

- A. True
- B. False
- C. True only for a fixed rate borrower
- D. True only for a floating rate borrower.

294. The IRR method assumes that all cash flows are reinvested at \_\_\_\_\_

- A. The cost of capital
- B. The market rate of return
- C. The prevailing PLR
- D. The rate decreed by the RBI

295. The YTM of a Bond is also known as its \_\_\_\_\_

- A. Internal Rate of Return
- B. Holding period Return
- C. Current Yield
- D. None of the above

324. One of the reasons for attributing time value to money is that individuals prefer future consumption to current consumption.

- A. True
- B. False



325. The nominal rate of interest is equal to the effective rate of interest when interest is compounded annually.

- A. True
- B. False

326. The rule of 72 is more precise (provides a better estimate) than the rule of 69 to find the period required to double your initial amount.

- A. True
- B. False

327. Financial analysis require an explicit consideration of time value of money because most financial problems at corporate and individual level involves cash flows occurring at different points in time.

- A. True
- B. False

328. Given a principal amount of Rs. 10,000 to be invested for 9 months, it is better to invest in a scheme that offers 12% annual compound interest than investing in a scheme that earns 12% simple interest.

- A. True
- B. False

335. Present value of an uneven stream of cash flows can be calculated with the help of present value of annuity table.

- A. True
- B. False

408. Suresh invests Rs.5000 in a Bank Deposit today @ 8% p.a compounded monthly. He hopes that this investment will enable him to fund his college education (estimated to cost Rs. 9000) which commences after 4 years. What will be the value of this investment in four years?

- A. Rs. 6802
- B. Rs. 6870
- C. Rs. 6878
- D. Rs. 6925

409. You have suggested an investment strategy which aims to invest more when the share price or NAV falls and less when the share price or NAV rises. It is done by achieving the total targeted value of the investment by making appropriated amounts at each predetermined interval. You are indicating a technique known as \_\_\_\_\_.



- A) Value Averaging
- B) Rupee Cost Averaging
- C) Economic Cost Averaging
- D) Weighted Averaging

410. Mr. Gopesh has purchased 100 convertible debentures of Essar Oil on 1/1/94 at Rs.500 each. 40% of the value of the debentures is convertible into one share of Rs. 50 each after seven years. Mr. Gopesh exercised his option on 1/4/2001 and received 100 shares. Compute the cost of acquisition of these shares.

- A. Rs. 200
- B. Rs. 205
- C. Rs. 195
- D. Rs. 185

411. The stage of the business cycle which is marked by increased consumer and investment spending, higher price levels and money wages, and rising employment and national income, is:

- A. Boom
- B. contraction
- C. recession
- D. recovery

412. Which of the following is not normally an influence upon short-term interest rate movements?

- A. Movements in the current account deficit
- B. The trend of interest rates overseas
- C. Fiscal policy.
- D. The rate of long-term unemployment.

413. Giving the symbols their usual meaning, if C=Rs.140 billion I= Rs.40 billion G= Rs.60 billion x =Rs.65 billion M=Rs.70 billion what will be the value of GNP?

- A. Rs.240 billion
- B. RS.235 billion
- C. Rs. 245 billion
- D. Rs. 375 billion

414. When the government adjusts economic policy through the central budget, it is exercising:

- A. monetary policy
- B. Fiscal policy





- C. incomes policy
- D. exchange rate policy

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Sheet Unit-2							
153	C	191	A	229	C	267	B
154	B	192	A	230	D	268	D
155	D	193	A	231	A	269	D
156	B	194	D	232	A	270	C
157	C	195	C	233	B	271	A
158	A	196	A	234	C	272	B
159	C	197	C	235	C	273	A
160	C	198	D	236	C	274	D
161	B	199	B	237	B	275	D
162	C	200	A	238	B	276	D
163	A	201	A	239	C	277	D
164	B	202	B	240	D	278	A
165	A	203	C	241	D	279	B
166	B	204	B	242	D	280	B
167	C	205	D	243	C	281	C
168	A	206	C	244	B	282	A
169	B	207	A	245	C	283	D
170	D	208	C	246	A	284	D
171	D	209	B	247	B	285	B
172	C	210	A	248	D	286	C
173	C	211	D	249	A	287	A
174	C	212	D	250	C	288	D
175	B	213	B	251	B	289	C
176	B	214	B	252	D	290	C
177	A	215	C	253	B	291	B
178	D	216	C	254	D	292	B
179	A	217	C	255	B	293	B
180	A	218	C	256	D	294	A
181	A	219	D	257	C	295	A
182	A	220	C	258	C	296	A
183	B	221	B	259	A	297	A
184	B	222	B	260	B	298	A
185	C	223	B	261	D	299	A
186	D	224	D	262	B	300	C
187	B	225	D	263	C	301	A
188	D	226	D	264	A	302	B
189	B	227	A	265	A	303	D
190	A	228	D	266	A	304	D



Answer Sheet Unit-2							
305	C	343	A	381	D	419	C
306	A	344	A	382	A	420	A
307	A	345	B	383	D	421	A
308	A	346	A	384	A	422	C
309	B	347	A	385	B	423	B
310	B	348	B	386	B	424	A
311	B	349	A	387	A	425	A
312	B	350	B	388	C	426	B
313	B	351	A	389	D	427	A
314	A	352	B	390	D	428	B
315	C	353	A	391	B	429	D
316	B	354	A	392	A	430	C
317	C	355	A	393	D	431	B
318	B	356	A	394	D	432	A
319	B	357	B	395	B	433	B
320	A	358	B	396	A	434	C
321	A	359	A	397	C	435	D
322	A	360	A	398	C	436	B
323	A	361	B	399	B	437	D
324	A	362	A	400	A	438	A
325	A	363	A	401	C	439	A
326	B	364	A	402	A	440	B
327	A	365	A	403	A	441	D
328	B	366	A	404	C	442	A
329	B	367	A	405	B	443	A
330	B	368	A	406	B	444	A
331	B	369	A	407	C	445	D
332	B	370	E	408	C	446	A
333	B	371	C	409	A	447	B
334	A	372	D	410	A	448	A
335	B	373	C	411	D	449	A
336	A	374	C	412	D		
337	A	375	B	413	B		
338	A	376	B	414	B		
339	A	377	D	415	D		
340	A	378	C	416	B		
341	B	379	D	417	A		
342	A	380	C	418	A		



Solution 156: Set: End

$N=20 \times 12$

$I=12.5/12$

$PV=2000000$

$PMT=\text{Solve}=-22723$

Solution 161: Set: End

$N=180$

$I=8/12$

$PMT=-2400$

$PV=\text{Solve}=251137$

Solution 198: Press cash and then press exe on your calculators

$I=10, -9000, 3000, 4500, 6000, 1500$

$PBP=\text{Solve}=2.5665$

Solution 203: the problem can be solved from the calculator press cash and then press exe on your calculators.  $100000, 500000, 90000, 99000, 108900, 119790, 131769, 144945, 159439, 175382$

$PBP= \text{Solve}= 6.34$  or 6 years

Solution 206: Go to cash function

$I=9$ , Cash exe,  $1=3000, 2=3000, 3=3000, 4=3000, 5=3000$

$NFV=\text{Solve}=17954.13$

Solution 207: Calculator Entries:  $N=8, I=12.25/2, PV=\text{Solve}=-986.10, PMT=118/2, FV=1000$

Solution 209: Faculty Comment; in the given problem there are three different cash flows, so we need to discount each cash flow separately and find the sum.

Press CMPD

Step 1: Set: End,  $N=1, I=8, PV=\text{Solve}=-92592, FV=100000$

Step 2: Set: End,  $N=2, I=8, PV=\text{Solve}=-214335, FV=250000$

Step 3: Set: End,  $N=3, I=8, PV=\text{Solve}=-396916, FV=500000$

Step 4: Set: End,  $N=4, I=8, PV=\text{Solve}=-257260, FV=350000$

Step 6: Add PV of Steps 1,2,3 and 4  $=961103.85$

Solution 219: Use IRR (cash),  $1=-70, 2=-91, 3=136.4,$

$IRR=\text{Solve}=-11.78\%$

Solution 221: Faculty Comment; in the given problem there are three different cash flows, so we need to discount each cash flow separately and find the sum.

Press CMPD

Step 1: Set: End,  $N=1, I=20, PV=\text{Solve}=-4166.66, FV=5000$

Step 2: Set: End,  $N=2, I=20, PV=\text{Solve}=-2083.33, FV=3000$

Step 3: Set: End,  $N=3, I=20, PV=\text{Solve}=-1736.11, FV=3000$

Step 4: Set: End,  $N=4, I=20, PV=\text{Solve}=-1446.75, FV=3000$



Step 3: Set: End, N=5, I=20, PV=Solve=4420.11, FV=11000

Step 6: Add PV of Steps 1,2,3,4 and 5 =13853.52

Solution 222: Press cash and then press exe on your calculators

I=10, -250000, 80000, 180000, 60000, 120000

PBP=Solve=1.8555 years

Solution224: Faculty Comment; in the given problem there are three different cash flows, so we need to discount each cash flow separately and find the sum.

Press CMPD

Step 1: Set: End, N=1, I=9, PV=Solve=-9174.3, FV=10000

Step 2: Set: End, N=2, I=9, PV=Solve=19833.5, FV=20000

Step 3: Set: End, N=3, I=9, PV=Solve=-7721, FV=10000

Step 4: Set End, N=4, I=4, PV=Solve=-106263.7, FV=150000

Step 5: Add PV of Steps 1,2, 3 and 4=139992

Solution 227: Faculty Comment; in the given problem there are three different cash flows, so we need to discount each cash flow separately and find the sum.

Press CMPD

Step 1: Set: End, N=1, I=12, PV=Solve=4464.2, FV=5000

Step 2: Set: End, N=2, I=12, PV=Solve=-1594, FV=2000

Step 3: Set: End, N=3, I=12, PV=Solve=-5694.2, FV=8000

Step 4: Add PV of Steps 1,2 and 3=11752.9

Solution 228: Yield=  $(100-P)*365*100/P*D$

Where, P=Price, D=Days left

=  $(100-97)*365*100/97*180=6.28\%$

Solution248: Press cash and then press exe on your calculators

I=10%, -1000, 400, 400, 300, 300

PBP=Solve=3.39 years

Solution250: Cash in Hand at the beginning

Rs. 6240

Annual Income (32000\*12)

Rs. 384000

Total cash during the year

Rs. 390240

Less Expense

Electricity (1200\*12) 14400

Transportation (1000\*12) 12000

Food (2600\*12) 31200

Misc. Expenses (1200\*12) 14400

Rs. 72000

Total cash available

318240

Solution251: The problem can be solved from the calculator

Press cash and then press exe on your calculators



(=20), -1000, 603, 603, 603  
PBP=Solve= 2.22 years

Solution 259: Set: begin  
N=20  
I=8  
PV=Solve= 212072  
PMT=-20000

Solution 260: The Problem can be solved from the calculator  
Press cash and then press exe on your calculators  
I=10, I=-165000, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> year= 30000  
6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> year=40000, 11<sup>th</sup> year=42000  
PBP=Solve=7.10 years

Solution261: Go to cash function  
I=9.5, Cash Exe, 1=30000,2=20000,3=10000,4=10000  
NPV=Solve=64221

Solution262: Use IRR (cash)  
1=-50,2=-71,3=136.4,IRR=Solve 8.78%

Solution263: Use IRR (cash)  
1=-5000,2=-5500,3=13000,IRR=Solve =15.36%

Solution266: Calculator's entries  
N=3\*2, I=Solve=7.26\*2=14.53, PV=-940, PMT=120/2=60, FV=1000

Solution267: Faculty Comment: First we need to find the effective rate of return

$$R = (1.03)^4 - 1 = 0.1255$$
$$P = \text{PMT} + \text{PMT}/R$$
$$= 2500 + 2500/0.1255$$
$$= \text{Rs.}22420.32$$

Solution268: Press cash and then press exe on your calculators  
I=10, -3000, 1000, 1500, 2000, 500  
PBP=Solve=2.5665



Solution 269: Calculate the corpus Ms. Priyanka will require at the time of her retirement

SET : BEGIN

N=17

I=15.50

PMT=4000, 000

PV=S=-27233589

To accumulate the required corpus she needs an annual savings of:

SET: END

N=13

I=15.50

PMT=S=-766130

FV=27233589

Therefore, she can reduce her annual savings by around  $(900000-766130)=Rs.133870$ .

If she continues to save Rs.9 lacs per annum, then she'll be able to make a withdrawal of:

SET: END

N=13

I=15.50

PMT=-900000

FV=31992225

SET: BEGIN

N=17

I=15.50

PV=-31992225

PMT=4698936

Solution 270: Calculator's entries

$N=14*2$ ,  $I=Solve=3.57*2=7.14$ ,  $PV=-1075$ ,  $PMT=80/2$ ,  $FV=1000$

Solution272: Calculator Entries:  $N=10$ ,  $I=5.75$ ,  $PV=Solve=-1160.13$ ,  $PMT=1000*7.9%=79$ ,  $FV=1000$

Solution273:  $I=9.5$

Press cash and then press exe on your calculators

30000, 20000, 40000, 25000, NPV=Solve=100666

Solution278: Calculator Entries:  $N=10$ ,  $I=?=7.99%$  or  $8%$ ,  $PV=-1003.36$ ,  $PMT=1000*8.05%=80.5$ ,  $FV=1000$

Solution279: Calculator's entries

$N=12$ ,  $I=Solve=8.20$ ,  $PV=-985$ ,  $PMT=80$ ,  $FV=1000$

Solution 373: In first step, calculate the corpus required at the time of retirement.

SET: BEGIN

SET: END

SET: END



$N=20$

$N=20$

$N=20$

$I=8$

$I=8$

$I=8$

$PV=S=-981814$

$PV=S=-210646$

$PMT=S=-4603$

$PMT=100,000$

$FV=981814$

$FV=210646$

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# Sample Paper 1

## One Mark Questions (40 Questions)

1. \_\_\_\_\_ does not form a part of “Diligence” under the rules of Professional conduct.
  - A. Collect sufficient information to ensure that proper advice can be given.
  - B. Have access to financial strategies and products.
  - C. Develop a suitable financial strategy.
  - D. Misinterpret the status of their membership.
  
2. \_\_\_\_\_ forms the foundation of financial planning.
  - A. Investment planning.
  - B. Cash flow management
  - C. Estate planning.
  - D. Retirement planning
  
3. A person is not a consumer if
  - A. He has received goods or services.
  - B. He has paid a due and fair consideration for them.
  - C. Has bought such goods or services for resale or for commercial use.
  - D. All of the above.
  
4. The correlation co-efficient of two perfectly correlated assets is \_\_\_\_\_
  - A. +1
  - B. -1
  - C. +0.5
  - D. -0.5
  
5. In general many people invest in order to \_\_\_\_\_
  - A. Accumulate sufficient funds for the future.
  - B. To save on income tax.
  - C. To leave a large estate for the next generation.
  - D. All of the above
  
6. Suresh, invests Rs. 50,000/- in a deposit which pays interest @ 8% per annum compounded Half Yearly. Calculate the amount in deposit after maturity at 6 years.
  - A. Rs. 80015
  - B. Rs. 80051
  - C. Rs. 82051
  - D. None of the above

## Two Mark Questions (20 Questions)



12. What is the step two of the financial planning process?

- A. Identification of Financial problems
- B. Goal setting
- C. Preparation of written alternatives and recommendations
- D. Data gathering

13. Which of the following statement is INCORRECT?

- A. Quantitative data is facts and figures
- B. Qualitative data can be used to make inferences
- C. A client's age is an example of qualitative data
- D. All data can be divided in to either quantitative or qualitative data

14. Which of the following statements does not reflect the meaning of financial planning?

- A. Determine your specific financial goals and objectives
- B. Design strategies to attain your financial objectives
- C. Analyse your present financial position
- D. Invest in securities that provide the highest return

19. The writer of a put option in ABC Ltd. Will benefit if ABC Ltd's stock price \_\_\_\_\_, all other things remaining equal.

- A. Rises
- B. Falls
- C. Remains in a small trading range
- D. Both A and C

20. Expansionary fiscal policy does not involve the government \_\_\_\_\_

- A. Increasing its spending on purchases of goods and services
- B. Increasing transfer payments to individuals and organizations
- C. Decreasing taxes
- D. Increasing tax rates

4 Mark Questions (15 Questions)

5. Maximum exemption limit for a woman resident in India and below the age of 65 years at any time during the previous years is:

- A. Rs. 145000
- B. Rs. 165000
- C. Rs. 110000
- D. Rs. 195000



6. Which of the following is correct interpretation of the Rules of the Conduct pertaining to the ethic of Confidentiality?
- A member must when requested by the client, provide to a person authorized by the client, all original documents prepared or received by the member in undertaking the advisory task.
  - A member owes to the member's partners or co-owners a responsibility to act in good faith (expectations of confidentiality) only while in business together, not thereafter.
  - The member shall maintain the same standards of confidentiality to employers as to clients.
  - Under no circumstance, will any member divulge any information or knowledge regarding the FPSB India or its members that they may know or be exposed to.
7. If a client needs to accumulate wealth but is risk-averse, which of the following is the most crucial action the planner needs to take to have the client achieves the goal of wealth accumulation? Advice investing the client's assets:
- In the products which will bring the highest return to the client regardless of risk.
  - In products which produce high income for the client because fixed income products are generally safe.
  - In diversified mutual funds because of the protection which diversity provides?
  - After determining the client's risk tolerance.
8. Isha invests Rs. 200 at the end of each month for 48 months. Her rate of return is 8% p.a. The investment's value at the end of the said period will amount to \_\_\_\_\_
- Rs. 110000
  - Rs. 112700
  - Rs. 115000
  - Rs. 111500
9. Suresh has estimated that the following will be his outgoings over the next few years:  
 End of year:  
 One: Rs. 10000  
 Two: Rs. 15000  
 Three: Rs. 12000  
 Four: Rs. 13500  
 Five: Rs. 11000  
 If Suresh want to cater to these cash outflows, how much should he have today, assuming an equal annual rate of return of 5%
- 50524
  - 52568
  - 53221
  - 54753
10. The P/E ratio of the sensdex is 15. The earnings yield is \_\_\_\_\_
- 5.50
  - 6.25



- C. 6.67
- D. 7.05

11. Gopesh is a real estate agent. The profits he makes on selling his own property after holding it for two years will be treated as\_\_\_\_\_

- A. Long term capital gains
- B. Short term capital gains
- C. Business Income
- D. Speculation income

12. A sum of Rs. 8000 deposited for one year at an annual interest rate of 5% compounded daily, will amount to Rs.\_\_\_\_\_

- A. 8400
- B. 8405
- C. 8410
- D. 8415

13. The IRR method assumes that all cash flows are reinvested at\_\_\_\_\_

- A. The cost of capital
- B. The market rate of return
- C. The prevailing PLR
- D. The rate decreed by the RBI



Sample Paper 1					
One Mark		Two Mark		Four Mark	
Question	Answer	Question	Answer	Question	Answer
1	D	1	C	1	D
2	B	2	A	2	C
3	C	3	B	3	D
4	A	4	C	4	C
5	A	5	D	5	A
6	B	6	D	6	C
7	A	7	A	7	D
8	A	8	A	8	B
9	B	9	C	9	C
10	B	10	C	10	C
11	C	11	C	11	B
12	D	12	A	12	C
13	D	13	C	13	A
14	A	14	D	14	A
15	A	15	A	15	A
16	A	16	C		
17	D	17	C		
18	A	18	B		
19	D	19	D		
20	A	20	D		
21	B				
22	A				
23	A				
24	A				
25	A				
26	D				
27	A				
28	A				
29	A				
30	B				
31	B				
32	A				
33	C				
34	D				
35	D				
36	D				
37	B				
38	B				
39	C				
40	A				



## Sample Paper 2

### One Mark Questions (40 Questions)

14. AMFI is a \_\_\_\_\_
- A. Trade body
  - B. Self regulatory Organization
  - C. Government Company
  - D. Body set up under an act of Parliament
15. \_\_\_\_ is not a cause for not engaging in Financial Planning in India
- A. Procrastination
  - B. Belief that one has sufficient assets/income
  - C. Belief that it is very difficult
  - D. Receipt of hefty sums as unemployment benefits from the Government
16. \_\_\_\_\_ Insurance protects oneself against losses as a result of lawsuits
- A. Life
  - B. Medical
  - C. Professional indemnity
  - D. Home
17. \_\_\_\_\_ does not form a part of "Compliance" under the rules of Professional Conduct
- A. No reveal any personal Identification about the client without the client's consent
  - B. Perform service in accordance with rules and regulations of govt. agencies
  - C. Use the marks in compliance with the rules of FPSB
  - D. Co-operate with the FPSB for any investigation
18. \_\_\_\_\_ is not an essential element of a Contract
- A. A clear, unambiguous offer must made by one party
  - B. It must be accepted by another party on the same terms
  - C. Both parties must be residing in the same country
  - D. The acceptance must be expressly communicated to the person making the offer
19. Beta is a term commonly used in the \_\_\_\_\_
- A. Art market
  - B. Real estate market
  - C. Fixed income market
  - D. Stock market
20. \_\_\_\_\_ pertains to "Compliance" under the rules of Professional Conduct



- A. Clients are informed in writing about the nature of the services provided
- B. There is fairness in compensation
- C. Co-operative with the FPSB for any investigation
- D. Prospective clients know about the member's capacity to provide financial planning services

2 mark Questions

5. A 10 year 8% bond (Face value-Rs. 1000, interest payable, semi annually) maturing 6 year from today is available at a yield to maturity of 6.0%. It is likely to be priced at \_\_\_\_\_

- A. Rs. 1100
- B. Rs. 1149
- C. Rs. 1168
- D. Rs. 1498

6. Which of the following rule helps in calculating how long it takes to double your money?

- A. Rule of 72
- B. Rule of 144
- C. Rule of 114
- D. Rule of 96

7. India bulls common stock has declined because of foreign competition. The investor in India bulls common stock has been the victim of what type of risk?

- A. Financial risk
- B. Market risk
- C. Interest risk
- D. Business risk

8. According to the Rule of 72, if you bought a share of ADR yielding an annual return of 40%, the investment will double in

- A. 3.11 Years
- B. 3.45 years
- C. 1.80 years
- D. 2.075 years

9. The arithmetic average of 12%, 14% and 16% is \_\_\_\_\_

- A. 14%
- B. 15%
- C. 17.2%



D. 20%

10. If an inflation rate is 5% and tax rate is 40%, the required rate of return to maintain the value of an investment is

- A. 8.33%
- B. 10%
- C. 9%
- D. 11%

#### Four Mark Questions

1. Calculate the future value of Rs. 5000 invested each year for 4 years, assuming an annual rate of 10%

- A. 22805
- B. 23205
- C. 23502
- D. 24082

A. 89421

5. \_\_\_\_\_ is a false statement

- A. With increase in interest rates, bond prices fall
- B. Bonds with coupon rates higher than the prevailing interest rates are priced at a discount
- C. The longer the term to maturity, the greater is the change in prices
- D. The higher the coupon rate, the lower the percentage change in bond prices. There is no consideration involved

6. A bank deposit of Rs. 25000 will earn an interest of Rs. \_\_\_ at the end of one year, if it earns 10% p.a. compounded every month.

- A. 2599
- B. 2617
- C. 2745
- D. 2799





Sample Paper 2					
One Mark Questions		Two Mark Questions		Four Mark Questions	
Question	Answer	Question	Answer	Question	Answer
1	D	1	B	1	B
2	D	2	B	2	C
3	B	3	A	3	B
4	A	4	C	4	B
5	D	5	A	5	B
6	D	6	A	6	B
7	A	7	D	7	C
8	C	8	C	8	C
9	C	9	A	9	C
10	C	10	A	10	D
11	B	11	A	11	D
12	A	12	A	12	D
13	A	13	A	13	A
14	A	14	C	14	A
15	D	15	B	15	C
16	C	16	B		
17	A	17	A		
18	C	18	B		
19	D	19	A		
20	C	20	C		
21	D				
22	B				
23	A				
24	A				
25	C				
26	A				
27	D				
28	B				
29	B				
30	B				
31	A				
32	C				
33	D				
34	C				
35	B				
36	D				
37	A				
38	B				
39	B				
40	A				



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