Time allowed: 2 Hrs 30 Min

Roll No: _____

Max Marks: 50

Instruction: Show all the steps involved in solving the problems.

Section A (30 marks)

1. A) i) Shetty's present age is 38 years and wish to retire at age 60. Present salary is Rs. 3000000 p.a. Total life insurance premium paid Rs. 300000 p.a. Income tax amounts to Rs. 450000. Self maintenance expenses is Rs. 360000 p.a. Find HLV @ 8% p.a. (5 marks)

ii) Discuss any two methods for determining the correct level of life insurance cover for a working professional aged 35 years. (5 marks)

OR

1. B) i) What should you pay for a growth bond that gives you Rs. 500 in three years time and is supposed to yield 8.75% quarterly compound?
     (5 marks)

ii) Distinguish between Term Life Insurance and Endowment plan. (5marks)

2. A i) What should you pay for a growth bond that gives you Rs. 500 in three years time and is supposed to yield 8.75% quarterly compound?
     (5 marks)

ii) Mr. X, whose current age is 30 years, investing Rs. 30000 p.a for last 5 years @ 8% p.a. X is going to retire at the age of 55. X estimated that he needs Rs. 300000 p.a after retirement to maintain the same lifestyle. The rate of return is expected to remain at 6% p.a for the next 25 years. How much additional investment X has to make every year to accumulate the required sum? If X wants to invest the same amount every year, what is the accelerated rate of return to be achieved? (5 marks)

OR

2. B) Discuss the significance of *Asset Allocation* decisions in attaining the objective of long-term wealth creation in the light of studies made by BHB. (10 marks)

3. A i) Discuss the important distinctions between 'Will' and 'Trust' as tool for estate planning. (5 marks)

ii) 'Heuristics are cognitive rule of thumb that simplify the decision making process' – Critically examine this statement with suitable examples. (5 marks)

OR

3. B i) Q1. Evaluate the following scenario and answer with reason from the perspective of Tax planning in Capital Gain:
Scenario 1 – An equity share is acquired on 1st of January, 2019 at Rs. 100, its fair market value is Rs. 200 on 31st of January 2020 and it is sold on 1st of April, 2020 at Rs. 150.
Scenario 2 – An equity share is acquired on 1st of January, 2019 at Rs. 100, its fair market value is Rs. 50 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs. 150. (5 marks)

ii) "The Income Tax Act has laid out exemptions under Section 54 and Section 54F to help taxpayers save tax on capital gains" When we can apply the above two sections? What are Common requirements of the two sections. How you can use Capital Gains Account Scheme for tax planning? (5 marks)

Section B (20 marks)
Important: Please demonstrate all the steps for computation

4. Mr. Bimal who is aged 42 years has got a contractual assignment in UAE for a period of 15 years. He has been on his assignment for the past 4 years and has already saved Rs.7 lakh every year. He now plans to save Rs.10 lakh for the balance period of his assignment abroad and then come back to India and live a retired life.

   a) If his savings earn an interest of 7% pa during the accumulation stage, how much accumulated money will he have when he returns to India?
   b) If his life expectancy is 85 years and the accumulated savings earn a return of 8% pa, how much money can he spend per annum to sustain himself for the balance period of his estimated life span?
   (Assumption: calculation on annuity due basis)

   c) If the estimated expenses for his family are Rs.3,60,000 pa and the rate of inflation is 6%, then how long will his accumulated savings last?
   d) If his contract is extended for a further period of 5 years and he is in a position to save Rs.12 lakh per year during this extended period of stay, how much will he accumulate by the time he returns to India?
   (Assume that his savings earn a return of 7% pa throughout the period of total stay abroad.)

   e) Under the changed circumstances as narrated in (d) above, how much money per annum is available for household expenses during his balance life span if the impact of inflation is ignored and his savings earn an interest of 6% during the disbursement period.
   f) In the case of (d) above, how long will his money last if the estimated spend per annum for his family is Rs.5,00,000 on his return from abroad and the rate of inflation is 6.5% and the rate of interest is 7% during this period of retired life?
   (20 marks)