PGDM(IBM),2015-17

Financial Services and Financial Planning

INS-601

Trimester – VI,End –Term Examination :February 2017

Time allowed : 2Hrs 30 Min

Max Marks : 50

Roll No. ___________________

Instruction : students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as Unfair Means . All other instructions on the reverse of admit card should be followed meticulously.

SECTION A : (3 out of 5) **Marks 3 *5**

1. Define personal financial planning. What types of decision are involved in a personal financial plan?
2. What is liquidity? What two factors are considered in managing liquidity? How are they used?
3. What is the primary objective of investing? What else must be considered? What potential investment vehicles are available?
4. What are bonds? How do bonds provide a return to investors?
5. Describe the return-risk tradeoffs among bonds, mutual funds, and real estate investment.

SECTION B : (2 out of 3) **Marks 2*10**

1(a) What is an estate? What sis estate planning? What is the main goal of estate planning?

(b)List and briefly discuss the key components of a will.

2(a) What is a mutual fund's net asset value (NAV)? How is the NAV calculated and reported?

(b)What kind of expenses do mutual load funds incur? How are experience ratio calculated? Why should investors pay attention to expense ratio?

3. (a)Briefly discuss the key retirement planning decision an individual must make?

(b) What is a defined benefit plan? What is vesting?

SECTION C : Compulsory **Marks 15**

Case study

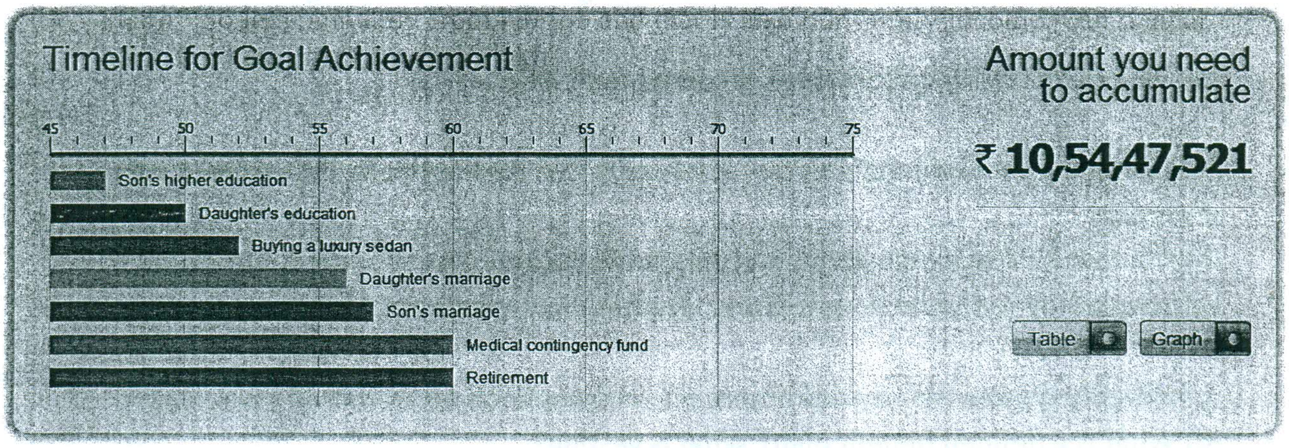
Anil Srivastava, 45 years , Business Executive

Status	: Married, 1 Daughter, 1 Son, Single Income	**No. of Dependants**	: 3
Income Status	: Salary - ` 36 lakh p.a.(after tax); No other source of income	**Annual Expenses**	: ` 15 lakh p.a.

My name is Anil Srivastava and I work for a leading pharmaceutical company. I am the sole earning member of my family, which consists of my homemaker wife, college going son and daughter.

Prior to 2008, I had been investing heavily into real estate and stock markets with a view to achieve my financial goals, which include my children's higher education and marriage, my retirement and also my aspiration of buying a luxury car. Then, we take annual vacations, mostly in India but sometime abroad, so that is also something I've trusted funding from my investments.

Till about 2008, all my investments in real estate and stocks were giving me very good returns, so I had invested almost all of my savings in these two asset classes. I had heard about careful asset allocation from my friends, but never thought about implementing it at my end. This is till I saw a large part of my savings getting wiped off in the 2008 stock market crash. Even the real estate market declined, which acted as a double whammy to my investments.



Brief about my financial situation

- I earn ` 36 lakh annually from my job and that is also our family income. Our annual household expenses are ` 10 lakh.

- I have a term insurance plan of ` 3 crore for 15 years. The premium for the same works out to ` 95,000 every year.

- We spend a lot of money on lifestyle improvements. Such expenses, including an annual vacation, add up to ` 4 lakh.
- My annual savings work out to ` 21 lakh, which I have been regularly investing in different kind of financial products.

Question

1. As a financial planner , give suggestions to Mr Anil Srivastava about his goals based on the market condition,
2. Suggest the suitable plans to achieve the targeted goals based on the time lines suggested by him.
3. Was the decision of Mr Anil of investing the saving in the real estate only right ? If not, what were the possible alternatives available.