

**Jagan Institute of Management Studies**  
**End-Term Examination, December 2017 – January 2018**  
**Trimester V – PGDM (IB) 2016-18**

***Personal & Corporate Financial Planning***  
***ET\_IB\_PCFP\_0401***

Time: 3 Hrs.

M. Marks: 70

**INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.**

- Q 1**      What is financial planning? What are the different steps of financial planning? Explain. **14**
- Q 2**      Explain the different parameters of selecting an equity mutual fund scheme? **12**
- Q 3**      What are the various financial products available to achieve short term & long term goals based on risk & return? **12**
- Q 4**      Who should buy insurance & of what kind? What amount should one invest in debt funds or equity funds? **12**
- Q 5**      a) Explain the importance of will? Explain the terms Testator & Beneficiary.  
            b) Describe the basic Trust arrangement, and discuss typical reasons for establishing Trusts. **12**
- Q 6**      Write short notes on followings:  
            a) Fixed maturity plans.  
            b) Money market schemes.  
            c) Tracking error.  
            d) Exchange traded funds. **12**
- Q 7**      **Read the case and answer the questions given at the end.**  
            Ashwin Agarwal, aged 34 years, is employed with an oil exploration company since December 2002. He is an engineer by profession and is part of project team that manages oil rigs worldwide. He has to tour extensively in different parts of the world in connection with the company's projects. He has approached you, a Personal Wealth Manager, for preparing his Financial Plan. He is staying in his own house at Vadodara. His wife Sumedha, aged 31 years, is working in a

private sector bank as Manager monthly salary of 60,000 pm.

They have a son Prateek aged 4 years, and a year old daughter Aslia. The family's monthly house hold expenses are Rs. 40,000 p.m. (excludes EMI on loans and insurance premium).

Ashwin's parents stay in their ancestral house at Bikaner. His father is engaged in a small business. Ashwin however supports his parents financially to the extent of Rs. 10,000 p.m.

Ashwin Agarwal's monthly salary: 1,10,000 After Tds.

Couple's Assets & Liabilities (As on 31st March, 2017 unless otherwise specified in foot notes)

Assets:

House: Rs. 35.00 lakh

Car: Rs. 3.50 lakh (Depreciated value)

PPF: Rs. 2.90 lakh

Insurance – Money Back policy: Rs. 4.00 lakh

Child Plan – Life Insurance: Rs. 20.00 lakh (Sum Assured) ,Surrender value 3 lakhs,

Gold ornaments: Rs. 6.50 lakh

Equity Mutual Fund scheme: Rs. 5.07 lakh

Balanced Mutual Fund scheme: Rs. 3.28 lakh

Debt Mutual Fund Scheme: Rs. 1.73 lakh

Portfolio of Equity Shares: Rs. 6.32 lakh

Bank fixed deposit: Rs. 2.50 lakh Subscribed on 01.09. 2010 @ 10% p.a. with interest compounded quarterly Cash/Bank Balance: Rs. 0.75 lakh

Goals:

1. To provide for higher education of Prateek and Aslia. The expense, at current cost is Rs. 3 lakh,
2. Marriage expenses of Rs. 15 lakh (current cost).
3. Retirement corpus at Ashwin's age of 60 to sustain the same lifestyle till their expected life time.
4. To build a separate dedicated fund for annual vacation expenses of Rs. 2 lakh (current cost).

Life Parameters:

Ashwin's expected life: 80 years

Sumedha's expected life: 82 years

Assumptions:

A. Regarding long-term pre-tax returns on various asset classes:

1. Equity & Equity MF schemes /Index ETFs: 15% p.a.
2. Bonds/Govt. Securities/Debt MF schemes: 8.00% p.a.
3. Liquid MF schemes: 7% p.a.

B. Regarding economic factors (long-term view):

1. Inflation: 5.50% p.a.
2. Risk free rate: 6.50% p.a.

**Questions:**

- a) Compute the net worth of the family?
- b) Estimate the cost of education at the age of 18 years, for their son & daughter?
- c) Estimate the funds required for the marriage of each child at their respective age of 27 years?
- d) Calculate the amount required for vacations which are planned 10 years from now?
- e) How much should they invest every month if they want a corpus of 10 cr at the age of Ashwin Agarwal 60 if they invest money only in Equity & Equity MF schemes /Index ETFs: 15% p.a.

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You can use excel template / syntax,/ function of excel

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