

Sample Questions for Second Semester

Advance Financial Planning

**PART I (OBJECTIVE)
CASE STUDY**

60 Marks

Read the case study carefully and answer the questions given in section 1, 2, 3 and 4.

Today is April 23rd 2009. Rakesh Gupta, aged 40, having life expectancy of 70, is a Senior Manager in Maximus Tech Solutions Ltd Mumbai, for the past 8 years. He has a total of 18 years of work experience and plans to work till his age of 55. His wife Sulekha, aged 37, is a house wife. They have two children – Sonia (11) and Tejas (6).

The family stays in Malad (Mumbai) in their own apartment. Rakesh had bought this apartment about 6 years ago for Rs. 17 Lakh which seemed like a king's ransom then. Now the same apartment is priced close to Rs. 50 Lakh.

At present Rakesh brings home Rs. 77,000 p.m. after taxes and other statutory deductions. His Basic Salary is Rs. 35,000 p.m. and HRA is 60% of Basic Salary while the balance amount is received under tax free perks & other benefits. Rakesh expects his post tax salary to increase at an average rate of 10% annually. His retirement funds add up to Rs. 1,17,600 p.a. He has accumulated Rs. 8.25 Lakh in his retirement account with his employer till date.

Rakesh has a car which he uses to commute to his office. The current value of the car is Rs. 1.80 Lakh. His personal expenses include petrol expenses for commuting to work (Rs. 5,500 p.m.) and other expenses of Rs.3,000 p.m. The family's household expenses are Rs.19,000 p.m. including Telephone, Electricity, Education and all other incidental expenses. Society charges are Rs. 2,150 p.m. All expenses keep moving up 7% annually. Rakesh also sends a fixed sum of Rs. 7,500 p.m. to his parents.

Rakesh had taken a housing loan of Rs. 8.50 Lakh which is now down to just Rs. 5 Lakh. Interest rate is 11% p.a. and his EMI is Rs. 9,100. His lender has a 3.50% prepayment penalty clause on the outstanding amount in case of prepayment by the borrower.

Rakesh has been investing Rs. 5,000 p.m. in a Mutual Fund Diversified Equity scheme through SIPs for the past 4 years. Apart from these SIPs, he has also invested Rs. 2.45 Lakh in other Mutual Funds, whose current value is Rs. 4.10 Lakh. He also has equity investments of Rs. 6.50 Lakh and Post Office MIS to the tune of Rs. 2.25 Lakh. He has also invested Rs. 1.50 Lakh in NSCs in his own name on 1st April 2008. He has a Govt. bond of Rs. 10,000 giving annual return of 8%. MF returns can be assumed to be 10% p.a. (net of expenses). Rakesh's wife has got 1Lakh rupees from her parents. She wants to invest this money in stocks of SRS Ltd whose face value is Rs. 100. The current market price of this stock is Rs.1200. Sulekha has checked its earnings per share Rs 120 out of that 50% has been given as dividend.

Meanwhile you have suggested to Rakesh that PPF account would be a useful tool for accumulation of retirement funds in his case. He should open this account on 1st April 2009 with currently permissible maximum contribution and to maintain this account with

the same contribution till maturity. Further the account should be extended with the same contribution for 3 consecutive blocks of 5 years each. While suggesting this you have assumed that present rate of interest shall remain constant for the whole term.

Presently Rakesh has 5 Life Insurance policies, details of which are as follows:

- 1) A Jeevan Shree policy– S.A. Rs. 5 Lakh for which he is paying Rs. 26,735 p.a. as premium
- 2) Endowment plan – S.A. Rs.4 Lakh for which he is paying a sum total of Rs. 20,645 p.a., as premium (20 years term).

Goals

Rakesh has one ambition for his children – he wants them to become doctors. Rakesh has been saving regularly for the same. The current value of these savings stands at Rs. 5 Lakh per child. Sulekha has a dream of her own. She wants to own a bungalow in her hometown in Himachal Pradesh, where she would like to settle down, after Rakesh’s retirement. The bungalow would cost Rs. 45 Lakh then, along with the plot. For this dream she has accumulated Rs. 1.75 Lakh till date over the years. In addition to this amount she is confident of saving Rs. 3,000 p.m. from her monthly household budget till retirement of Rakesh.

SECTION 1

5 × 2 = 10 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 2 marks.

1. Rakesh informed you that prior to consultations with you, he had contacted another CFP^{CM} practitioner who demanded a flat remuneration of 35% of the “Assets under Management” from Rakesh for providing his services. Is there any violation of “Code of Ethics” as stipulated by FPSB India by the earlier Practitioner?
 - a) This is a violation of Code of Ethics of Due Diligence.
 - b) This is a violation of Code of Ethics of Professionalism.
 - c) This is a violation of Code of Ethics of Fairness.
 - d) This is a violation of Code of Ethics of Compliance.

2. What is the PE Ratio of SRS Ltd.?
 - a) 20
 - b) 5
 - c) 10
 - d) .8

3. Rakesh wants to know, what would be the CAGR if he sells his apartment at current market price?
- a) 19.69%
 - b) 21.76 %
 - c) 29.34%
 - d) 17.74%
4. What would be the maturity value of money that was invested in NSC by Rakesh on 1st April 2008?
- a) Rs. 2,38,031
 - b) Rs. 2,40,154
 - c) Rs. 2,51,565
 - d) Rs. 2,54,382
5. Rakesh has asked you about FPSB India's nature of constitution. You have explained him that FPSB India is a _____.
- a) Self Regulatory Organization
 - b) Professional Standards Setting Body
 - c) Professional Regulatory Organisation
 - d) A quasi Government Body

SECTION 2

8 × 3 = 24 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 3 marks.

6. Rakesh wants to know what interest amount, from his investment in NSC, would be eligible for deduction u/s 80 C for the FY 2009-10.
- a) Rs. 11,342
 - b) Rs. 12,456
 - c) Rs. 13,238
 - d) Rs. 15,245
7. As Rakesh has told you that he has a govt. bond of Rs.10000 giving annual return of 8% Pa. This bond will mature after 5 years from now. Risk free rate of return is prevailing in the market is 6%. According to you what should be the intrinsic value of the bond?
- a) Rs. 11044
 - b) Rs. 10000
 - c) Rs. 9786
 - d) Rs 10842

8. Rakesh wants to purchase a medical insurance for a sum assured of Rs. 5,00,000 for his parents for Rs. 16000 annual premium. His parents are Senior Citizens above 65 years of age. He wants to know how much amount he can claim u/s 80D from his income for AY 2009-10 from this Insurance premium. According to you same is _____.
- a) Rs.15,000
 - b) Rs. 20,000
 - c) Rs. 16,000
 - d) Rs. Nil
9. Rakesh has informed you that he bought Call options for XYZ stock at a strike price of Rs. 200 per share by paying a premium of Rs. 23 per share. Such options expire in next 8 days. Rakesh told you that all of sudden XYZ Company's stock fell drastically on the bourses. Closing price of stock on expiry day is Rs. 38 per share. Rakesh wants to know the profit or loss per share from this call option?
- a) Rs. 162 Loss
 - b) Rs. 23 Loss
 - c) Rs. 162 Profit
 - d) Rs. 38 Profit
10. One of Rakesh's insurance agent friends is insisting him for a pure term insurance of Rs. 50 Lakh. For 20 years. He is offering two payment options for the same as follows:
- [
 - Option 1: Single Premium Rs. 1.80 lakh
 - Option 2 : Annual Premium Rs. 12,850 per annum
- Rakesh wants to know if he decides to take this policy, which payment option should be exercised if he takes risk free rate of return 6% into account. The same is _____.
- a) Option 1
 - b) Option 2
 - c) Data insufficient
 - d) Rakesh has no need to take this policy.
11. Rakesh has informed you that one of the financial institutions is offering an FDR with an interest rate of 12% p.a. (quarterly compounding) on a 3 year cumulative deposit. He wants to know the annual yield on this deposit. The same is _____.
- a) 12.46% p.a
 - b) 12.36% p.a
 - c) 12.55% p.a
 - d) 12.65% p.a
12. Rakesh wants to know what amount he will get on maturity of his Endowment policy if simple reversionary bonus of Rs. 50 per 1,000 SA is assumed for first 5 years and Rs. 60 per 1000 SA is assumed for the balance term. Assume the policy would also give final additional Bonus of Rs. 160 per 1000 SA.
- a) Rs. 4,00,000

- b) Rs. 4,24,000
- c) Rs. 13,24,000
- d) Rs. 9,24,000

13. Rakesh had invested in an open ended Mutual Fund when the NAV of the fund was Rs. 10. After 6 months the NAV was Rs. 12. The annualized percentage change in the fund is _____. (Ignore all charges).
- a) 22%
 - b) 20%
 - c) 40%
 - d) 44%

SECTION 3

4 × 4 = 16 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 4 marks.

14. Rakesh wants to know, what approximate amount is standing currently in his MF Diversified Equity scheme if the effective rate of return is 10% Pa?
- a) 2.78 Lakh
 - b) 2.88 Lakh
 - c) 2.91 Lakh
 - d) 2.94 Lakh
15. What maturity value will Rakesh get at the end of the whole term (including 3 extended blocks) from his PPF account if he makes no withdrawal and disruption in payment?
- a) Rs. 93,24,947
 - b) Rs. 86,34,210
 - c) Rs. 79,29,824
 - d) Rs. 85,64,210
16. Rakesh is seeking your advice regarding suitability of a health insurance plan for his family. Taking into account the health status of the family, what would be your advice?
- a) The family has good liquidity to take care of any sudden medical expenses; hence no health insurance policy is required.
 - b) Given fairly good medical history, they should postpone taking health insurance for 5 more years.
 - c) A floater policy which covers the medical expenses of any member of the family, as well as disability insurance of Rakesh, at least, must be taken.
 - d) Rakesh can save upto Rs. 15,000 under section 80 D by taking a suitable health cover to that extent.
17. Rakesh wants to buy a Zero Coupon Bond of Rs. 1000 face value, of his own company, for tenure of 20 years. You estimate the cost of fund to be 10% p.a for the

first 5 years, 8% p.a for the next 5 years and 6% p.a for the last 10 years. From Rakesh's perspective what should be the least issue price of this Bond under these circumstances?

- a) Rs. 176.33
- b) Rs. 235.97
- c) Rs. 297.78
- d) Rs. 201.27

SECTION 4

2 × 5 = 10 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 5 marks.

18. Rakesh wants to know how much money he needs to save at the end of every month from now onwards to finance Sonia's medical education when she completes 20 years of age. Rakesh invests this amount in a instrument that gives 12% p.a. compounded monthly. Assume inflation for education is 7%.

- a) Rs. 4765
- b) Rs. 4718
- c) Rs. 5680
- d) Rs. 5658

19. How many more EMIs will Rakesh has to pay to repay his home loan completely? (Note- Assume there is no change in the interest rate in future)

- a) 99 EMIs
- b) 77 EMIs
- c) 66 EMIs
- d) 88 EMIs

PART II

FINANCIAL PLAN CONSTRUCTION

40 Marks

FINANCIAL PLAN CONSTRUCTION

Mr. Malhotra 55 year old runs a stationery shop in his locality. He is able to earn on an average Rs.36000 p.m. He has purchased a two bed room apartment and has paid last installment of loan last month His wife is homemaker. He has two children, son is studying in final year of engineering and daughter is getting married in 6 months time. He has provided for daughter's marriage.

Short Term Goal: To provide for higher education for son costing around Rs. 12,00,000 (Today's terms) after 3 years.

Long term Goals:

- ❖ To maintain same standard of living after leaving work at age 65. Life expectancy is 80 years.
- ❖ To leave an estate of Rs. 50 lakhs for his son.

His present investments after providing for daughter's marriage are as follows:

PPF	Rs 600000
Blue chip shares	Rs. 350000
Master share	Rs. 250000
Diversifies Equity	Rs. 1600000
Plot of land	Rs. 2000000
NSC'S	Rs. 350000 (maturing this August)

Present Expenses per month are Rs. 20000.

Assumptions:

Rate of return on investments is as follows:

Direct Equity	15%
Diversified Equity	12%
Balanced Funds	10%
Debt Funds	8%
Money Market	5.5%
Inflation	5%

You need to:

- Prepare a financial plan for him keeping all his goals in mind
- Comment on the current portfolio composition in terms of liquidity, safety, return and tax efficiency

Financial Statement Analysis

PART I (OBJECTIVE)
SECTION 1

25 × 1 = 25 MARKS

Choose the most appropriate answer from the alternatives given. Each question carries 1 mark.

1. Allowance for doubtful accounts decreases the balance in which account to obtain the net realized value?
 - a) Cash.
 - b) Accounts payable.
 - c) Bad debt expense.
 - d) Accounts receivable.

2. Common stock is recorded where on the financial statements?
 - a) In stockholders' equity.
 - b) In accounts payable.
 - c) In accounts receivable.
 - d) In other expense.

3. The need for the financial statement analysis is for:
 - a) Not extensive disclosure requirement.
 - b) Dissemination of information to financial analysts and other interested users.
 - c) Not focusing on the bottom line of the financial reporting.
 - d) Not estimating the effect of change in the prices of the corporate performance

4. The external users of financial statements are classified into :
 - a) Credit and equity investors.
 - b) Government bodies, regulatory bodies and tax authorities.
 - c) The general public and special interest groups, labor unions and consumer groups.
 - d) All of above.
 - e) A and B.

5. Which of the following is not the broad category to measure the risk and return relationship?
 - a) Activity analysis.
 - b) Profitability analysis.
 - c) Solvency analysis.
 - d) Operating analysis.

6. The financial analysis requires a review of three interrelationships among the ratios. They are:
 - i. Economic relationship.
 - ii. Ratios as composite of other ratios.
 - iii. Social relationship.
 - iv. Overlap of components.
 - a) I and II
 - b) II , III and IV
 - c) I , II and IV
 - d) All of above.

7. Issue of bonus shares out of profits result in _____ in current ratio.
- Improve
 - Reduce.
 - No change
 - None of above.
8. A company sold Rs. 400,000 of merchandise for cash and Rs. 120,000 of merchandise to credit customers who will pay for the merchandise in a later time period. How much revenue should be reported on the income statement of the current time period?
- Rs.280,000
 - Rs.520,000
 - Rs.400,000
 - Rs.120,000
9. A corporation reported the following information for the past year:
- | | |
|---------------------------------|-------------|
| Net Income | Rs.200, 000 |
| Depreciation Expense | Rs. 30,000 |
| Gain on Sale of Truck | Rs. 5,000 |
| Proceeds from Sale of Truck | Rs. 8,000 |
| Decrease in Accounts Receivable | Rs. 10,000 |
- Assuming these are the only facts, what amount will the corporation report as the Cash Provided by Operating Activities on the cash flow statement?
- Rs.225,000
 - Rs.235,000
 - Rs.253,000
10. _____ is equal to the total book value of the firm's common stock divided by (the replacement cost of the firm's assets less liabilities).
- Book value per share
 - Liquidation value per share
 - Market value per share
 - Tobin's Q
 - None of the above.
11. The primary purpose of an audit (examination) of the financial reports of a company is to
- Uncover fraud.
 - Determine who is guilty of malpractice.
 - Determine whether the financial reports conform to GAAP.
 - Examine every document and transaction to verify it was accurately reported.
12. An audit report can be prepared and issued by
- Management.
 - A certified chartered accountant (CA).
 - An internal auditor.
 - The chief executive officer (CEO).
13. Bradley Hotels has a beta of 1.3, while Douglas Farms has a beta of 0.7. The market return is 12 percent. The risk-free rate of interest is 7 percent. By how much does Bradley's required return exceed Douglas' required return?
- 3.0%

- b) 6.5%
 - c) 5.0%
 - d) 6.0%
 - e) 7.0%
- 14.** If net profit before taxation and interest was £95,000, depreciation for the year was £17,000, stock has decreased during the year by £7,000, debtors have increased by £11,000 and creditors have decreased by £4,000, what is the overall cash flow from operating activities?
- a) £104,000
 - b) £112,000
 - c) £98,000
 - d) £134,000
- 15.** The calculation of equity financing cash flows requires analysis of the change in stockholder's equity, separating_____:
- I. Net income.
 - II. Dividends declared.
 - III. Shares issued or repurchased.
 - IV. Changes in valuation accounts included in equity.
- a) I and II.
 - b) II and IV.
 - c) I, II and III.
 - d) All of above
- 16.** Cash dividend paid to shareholders are to be classified on the statement of the cash flows as:
- a) Operating activities.
 - b) Investing activities.
 - c) Financing activities.
 - d) Both a and b.
 - e) Both b and c.
- 17.** Instead of using the net capital expenditure, if free cash flows are computed using the total /gross capital expenditures , it will result in
- a) Increase in free cash flows.
 - b) Decrease in free cash flows.
 - c) No change in free cash flows.
 - d) Increase in net capital expenditure.
 - e) Decrease in net capital expenditure.
- 18.** If the current ratio is less than 1 then it will be definitely said that
- a) The net working capital is negative.
 - b) The net working capital is positive.
 - c) The inventories are inadequate.
 - d) The current assets other than inventories are inadequate.
 - e) Cash in hand is inadequate.
- 19.** What is a common size income statement?
- a) An income statement that provides immediate profits.

- b) An income statement that group all items of revenue altogether, then deducts all categories of expenses.
- c) An income statement that includes all changes of equity during the period.
- d) A statement that expresses each item on an income statement as a percentage of net sales.

20. Profit after tax = Rs.150000
 Number of shares = Rs.50000
 P/E ratio = 8
 Current ratio = 1.5

Calculate the market price of the share of Red chilli Film distributors_____

- a) Rs.21.
- b) Rs.20.
- c) Rs.12.
- d) Rs.24.
- e) Rs.14.

21. How it is possible for the firm to be profitable and still go bankrupt?

- a) Earnings have increased more rapidly than sales.
- b) The firm has positive net income but has failed to generate cash from operations.
- c) Net income has been adjusted for inflation.
- d) Sales have not improved even though credit policies have been eased.

State true or false

- 22. The common size statements should be solely viewed as the scale for standardization.
- 23. Ratio analysis is assigned to facilitate comparisons by eliminating the size differences across firms and over time.
- 24. The cash flow analysis helps a firm to generate cash flow from operations.
- 25. Financial reporting is not narrow in scope but broadly refers to useful information for decision makers.

SECTION 2

10 × 3 = 30 MARKS

Choose the most appropriate answer with showing reason/working. Each question carries 3 marks.

- 26. Krisle and Kringle's debt-to-total assets ratio is.4. What is its debt-to-equity ratio?
- 27. Felton Farm Supplies, Inc., has an 8 percent return on total assets of Rs.300,000 and a net profit margin of 5 percent. What are its sales?
 - a) Rs. 3,750,000.
 - b) Rs. 480,000
 - c) Rs. 300,000
 - d) Rs. 1,500,000
- 28. Current ratio is 4:1.Net Working Capital is Rs.30, 000.Find the amount of current Assets.
 - a) Rs. 10,000
 - b) Rs. 40,000
 - c) Rs. 24,000

d) Rs. 6,000

29. Authorized capital of a company is Rs.12 lac, 40% of it is paid up. Loss incurred during the year is Rs. 65,000. Accumulated loss carried from last year is Rs.4.5 lac. The company has a Tangible Net Worth of

- a) Nil
- b) Rs. 2.50 lac
- c) (-)Rs. 35,000
- d) Rs. 1 lac.

30. The balance sheet reported a beginning balance of Rs.20,000 in Accounts Receivable and an ending balance of Rs.15,000. The income statement reported Sales Revenue of Rs.200, 000. Using this information, compute cash collected from customers.

- a) Cash collected from customers totaled Rs.200, 000 during the accounting period.
- b) Cash collected from customers totaled Rs.205, 000 during the accounting period.
- c) Cash collected from customers totaled Rs.195, 000 during the accounting period.
- d) Cash collected from customers totaled Rs.215, 000 during the accounting period.

31. If the net profit margin is 9.57%, asset turnover ratio is.85 and the debt asset ratio is.50, then the return on equity/ net worth is

- a) 18%.
- b) 24%
- c) 27%
- d) 16.27%

32. Use the following information to calculate net cash from financing activities: issue common shares Rs. 200,000; repurchase a company's own shares Rs. 20,000; pay mortgage payable principal Rs. 100,000; pay mortgage payable interest Rs. 10,000; a stock dividend is declared and distributed that reduces retained earnings by Rs. 30,000; and a cash dividend is declared and paid that reduces retained earnings by Rs. 40,000.

- a) Rs.10,000 net cash inflow from financing activities
- b) Rs.40,000 net cash inflow from financing activities
- c) Rs. 60,000 net cash inflow from financing activities
- d) Rs. 30,000 net cash inflow from financing activities

33. You wish to earn a return of 13% on each of two stocks, X and Y. Stock X is expected to pay a dividend of Rs. 3 in the upcoming year while Stock Y is expected to pay a dividend of Rs. 4 in the upcoming year. The expected growth rate of dividends for both stocks is 7%. The intrinsic value of stock X _____.

- a) cannot be calculated without knowing the market rate of return
- b) will be greater than the intrinsic value of stock Y
- c) will be the same as the intrinsic value of stock Y
- d) will be less than the intrinsic value of stock Y
- e) none of the above is a correct answer.

34. Current ratio is 2:5. Current liability is Rs. 30000. The Net working capital is

- a) Rs.18,000
- b) Rs.45,000
- c) Rs.(-) 45,000

- d) Rs.(-)18000
35. Calculate the value of share, as per free cash flow model when the company paid dividend Rs. 3.93
- | | |
|-------------------------------------|----------------|
| Profit | = Rs.625 crs. |
| Equity capital of company | = Rs.1200 crs. |
| Par value of share | = Rs. 30 each. |
| Debt equity ratio | = .36 |
| Long run growth rate | = 9.5% |
| Ke | = 11% |
| Capital expenditure per share | = Rs. 48 |
| Depreciation per share | = Rs.32 |
| Change in working capital per share | = Rs. 4 |

SECTION 3

3 × 5 = 15 MARKS

Choose the most appropriate answer with showing reason/working. (Attempt any three). Each question carries 5 marks.

36. The following category appears on the income statement of DG Chemicals.
- Net sales.
 - Cost of sales.
 - Operating expenses.
 - Other revenue / expense.
 - Income tax expense.
 - Financial expenses.

Classify the following items according to income statement category:

- Depreciation expense.
- Interest revenue.
- Sales revenue.
- Advertising expense.
- Sales return and allowances.
- Income taxes.
- Repair & maintenance.
- Selling & administrative expenses.
- Cost of products sold.
- Dividend income.
- Lease payments.

37. Given the following:

Net Cash Flows

Year 1: \$1000

Year 2: \$1200

Year 3: \$1400

Year 4: \$1550

Year 5: \$1700

Growth in perpetuity beyond year 5: 6%

Discount rate: 20%

Compute the present value using the year-end discounting convention.

38. Use the following information to answer the following questions

BQS Financial Data as on December 31, 2008

Net sales	Rs.1800000
Cost of goods sold	Rs.1080000
Operating expenses	Rs. 315000
Net operating income	Rs. 405000
Net income	Rs. 195000
Total stockholder's equity	Rs. 750000
Total assets	Rs. 1000000
Cash from operating activities	Rs. 25000

Calculate the following:

- a) Return on equity.
- b) Return on total Assets.
- c) Gross profit margin.
- d) Operating profit margin.
- e) Cash flow margin.

39. Dividend in base period (period0) \$1.00

Growth rate in dividend (compounded annually in perpetuity) 5%

Discount rate 12%

Using the Gordon Growth Model, what is the value of one share of stock?

40. The market capitalization rate on the stock of Fast Growing Company is 25%. The expected ROE is 30.25% and the expected EPS are Rs.7.5. If the firm's plowback (retention) ratio is 80%, the P/E ratio will be _____.

- a) 7.69
- b) 8.33
- c) 9.09
- d) 11.11
- e) 25

PART II (SUBJECTIVE) SECTION 4

3 × 5 = 15 MARKS

Attempt any three questions. Each question carries 5 marks.

- 41.** Explain the indirect method of calculating the cash flows from operation with the necessary adjustments to be made, citing a suitable example.
- 42.** What do you mean by trend analysis? Also state its limitations as compared with common statement analysis.
- 43.** What is Whistle Blower Policy under clause 49 in the context of corporate governance.
- 44.** Discuss the concept and valuation of the measurement of free cash flows for the firm and the stock with help of example.

SECTION 5

15 × 1 = 15 Marks

Attempt any one case study.

45. Answer the questions based on the information of LUPIN LTD.

	Mar ' 08 Rs. in Crs	Mar ' 07 Rs. in Crs
Income :		
Operating Income	2,575.39	1,985.79
Expenses		
Material Consumed	1,162.08	961.52
Manufacturing Expenses	192.19	153.63
Personnel Expenses	241.82	187.50
Selling Expenses	243.21	191.69
Administrative Expenses	194.78	157.89
Expenses Capitalised	0.00	0.00
Cost Of Sales	2,034.08	1,652.23
Operating Profit	541.31	333.56
Other Recurring Income	144.47	42.32
Adjusted PBDIT	685.78	375.88
Financial Expenses	42.15	41.70
Depreciation	56.11	46.37
Other Write offs	0.00	0.00
Adjusted PBT	587.52	287.81
Tax Charges	114.26	94.69
Adjusted PAT	473.26	193.12
Non Recurring Items	-29.90	103.97
Other Non Cash adjustments	-0.56	0.89
Reported Net Profit	443.38	302.06
Earnings Before Appropriation	736.13	489.33
Equity Dividend	82.08	40.17
Preference Dividend	0.00	0.00
Dividend Tax	14.04	6.83
Retained Earnings	640.01	442.33

	Mar ' 08 Rs. in Crs	Mar ' 07 Rs. in Crs
SOURCES OF FUNDS		
Owner's Fund		
Equity Share Capital	82.08	80.34
Share Application Money	0.00	0.00
Preference Share Capital	0.00	0.00
Reserves & Surplus	1,234.97	808.07
Loan Funds		
Secured Loans	560.88	390.91
Unsecured Loans	404.67	473.64
Total	2,282.60	1,752.96
USES OF FUNDS		
Fixed Assets		
Gross Block	1,155.05	951.71
Less : Revaluation Reserve	0.00	0.00
Less : Accumulated Depreciation	291.98	237.90
Net Block	863.07	713.81
Capital Work-in-progress	68.95	82.55
Investments	292.49	5.86
Net Current Assets		
Current Assets, Loans & Advances	1,733.65	1,482.10
Less : Current Liabilities & Provisions	675.56	531.36
Total Net Current Assets	1,058.09	950.74
Miscellaneous expenses not written	0.00	0.00
Total	2,282.60	1,752.96
Note :		
Book Value of Unquoted Investments	290.38	3.75
Market Value of Quoted Investments	2.13	2.11
Contingent liabilities	72.47	89.34
Number of Equity shares outstanding (in Lacs)	820.81	803.45

- I. The ROE (measured on an end-of-year basis) for Lupin in 2008 was:
- II. The ROA (measured on an end-of-year basis) for Lupin in 2008 was:
- III. The current ratio for Lupin in 2008 was:
- IV. The quick ratio for Lupin in 2008 was (Inventory is Rs.730 crs):
- V. The total debt to equity ratio for Lupin in 2008 was:
- VI. The net profit margin for Lupin in 2008 was:

- VII. If the EPS was Rs. 54.02 and the dividend was Rs.10, the retention ratio for Lupin in 2008 was:
- VIII. The total asset turnover ratio (based on end-of-year numbers) for Lupin in 2008 was:
- IX. The Book value per share (based on sales and end-of-year numbers) for Lupin in 2008 was:
- X. Liquidity ratios measure the firm's:
- ability to cover current obligations.
 - ability to cover long-term debt obligations.
 - activity level relative to amount of resources used.
 - profits relative to amount of resources used.
 - market price relative to assets or earnings.
- XI. Leverage ratios measure the firm's:
- ability to cover current obligations.
 - ability to cover long-term debt obligations.
 - activity level relative to amount of resources used.
 - profits relative to amount of resources used.
 - market price relative to assets or earnings.
- XII. Turnover ratios measure the firm's:
- ability to cover current obligations.
 - ability to cover long-term debt obligations.
 - activity level relative to amount of resources used.
 - profits relative to amount of resources used.
 - market price relative to assets or earnings.
- XIII. Profitability ratios measure the firm's:
- ability to cover current obligations.
 - ability to cover long-term debt obligations.
 - activity level relative to amount of resources used.
 - profits relative to amount of resources used.
 - market price relative to assets or earnings.
- XIV. Valuation ratios measure the firm's:
- ability to cover current obligations.
 - ability to cover long-term debt obligations.
 - activity level relative to amount of resources used.
 - profits relative to amount of resources used.
 - market price relative to assets or earnings.
- XV. The fraction of a firm owned by equity holders is given by:
- $1/(\text{debt ratio})$
 - $1-(\text{debt ratio})$
 - $(\text{equity ratio})/(\text{debt ratio})$
 - Cannot be determined by the debt ratio.

46. Case Study second

Valuation of Firm using Free Cash Flow of the Firm model:

The Widget Company (Numbers in 1000s)						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Forecasted Revenue Growth		20%	20%	15%	15%	10%
(1) Sales Revenue	\$100,000	\$120,000	\$144,000	\$165,600	\$190,440	\$209,484
Operating Costs Margin	65%	65%	65%	65%	70%	70%
(2) Operating Costs	\$65,000	\$78,000	\$93,600	\$107,640	\$133,308	\$146,639
Operating Profit	\$35,000	\$42,000	\$50,400	\$57,960	\$57,132	\$62,845
(3) Taxes	\$10,500	\$12,600	\$15,120	\$17,388	\$17,140	\$18,854
After Tax Profit	\$24,500	\$29,400	\$35,280	\$40,572	\$39,992	\$43,992
Net Investment (% of Revenue)	7%	7.6%	8.2%	8.8%	9.4%	10%
(4) Net Investment	\$7,000	\$9,120	\$11,808	\$14,573	\$17,901	\$20,948
Working Capital	\$9,000	\$10,800	\$12,960	\$14,904	\$17,140	\$18,854
(5) Change in Working Capital	\$1,500	\$1,800	\$2,160	\$1,944	\$2,236	\$1,714

- a) Calculate Free Cash Flows for the Widget Company

Widget Company WACC

The Widget Company has a capital structure of 40% debt and 60% equity, with a tax rate of 30%. The risk-free rate (RF) is 5%, the beta is 1.3 and the risk premium (RP) is 8%.

- b) Calculate the WACC for the Widget Company

Calculating Total Enterprise Value

let's assume that the company's cash flows will grow in perpetuity by 4% per year.

- c) (i). Calculate Terminal Value of company in the 5th year.
(ii). Calculate the value of Firm using Free Cash Flow model.

Introduction to Security Research

PART I (FUNDAMENTAL ANALYSIS)
SECTION 1

15 × 1 = 15 Marks

Choose the most appropriate answer from the alternatives given. Each question carries 1 mark.

1. Which of the following can be classified as a lagging indicator of economic growth?
 - a) Ratio of inventories to sales
 - b) Manufacture and trade sales
 - c) Orders for plant and equipment
 - d) Business confidence index
 - e) Investments in housing
 - f) All of the above
 - g) None of the above

2. The belief that the stock market can be beaten, is held by
 - a) Fundamental analysts alone
 - b) Technical analysts alone
 - c) Both fundamental as well as technical analysts
 - d) Some technical analysts but all fundamental analysts
 - e) Some fundamental analysts but all technical analysts
 - f) None of the above

3. Which of the following form a part of economic analysis?
 - a) A trend analysis of the company's market share
 - b) Life cycle analysis of the industry
 - c) Leverage and coverage ratio analysis
 - d) Cost structure and break-even analysis
 - e) An assessment of the quality of the management
 - f) All of the above
 - g) None of the above

4. Which of the following is/are benefits of employing leading indicators?
 - a) Some of them prove to be misleading.
 - b) Contrasting signals given by some of the lead indicators.
 - c) Time consumed in identifying the change in the indicator as genuine.
 - d) On occasions leading indicator may require another lead to identify it.
 - e) Both (a) and (b) above.
 - f) None of the above

5. Stock Market indicators are employed for
 - a) Buying stocks
 - b) Selling stocks
 - c) Short selling stock in cash markets
 - d) Short selling stocks in future markets
 - e) All of the above

6. As the business cycle enters the last phase of economic boom the stock prices generally
 - a) Decline
 - b) Maintain the same trend as before
 - c) Rise 6 months in advance

- d) Rise to an extent and then take a downturn
 - e) None of the above
7. Unemployment figure is a lagging indicator of
- a) Economic boom
 - b) Economic depression
 - c) Economic revival
 - d) All of above
 - e) None of above
8. When the economy is booming one will find increased levels of expenditure by a company on
- a) Interest expense
 - b) depreciation
 - c) sales
 - d) Both (a) and (b) above
 - e) All of (a), (b) and (c) above
 - f) None of the above
9. The dividends per share is defined as
- a) $\text{EAT} - \text{Preference dividend} / \text{No. of Equity shares}$
 - b) $\text{EAT} / \text{No. of Equity shares}$
 - c) $\text{EAT} / \text{No. of Equity shares plus No. of Preference shares}$
 - d) $\text{EBIT} / \text{No. of Equity shares}$
 - e) None of the above
10. A measure which reflects the efficient use of firm's resources is
- a) Rate of return on net worth
 - b) Return on equity
 - c) Turnover of assets
 - d) All of the above
 - e) None of the above
11. If dividend rate paid by a company is going up after the bonus issue, the investor shall
- a) benefit
 - b) lose
 - c) shall not be affected
 - d) None of the above
12. Which among the following is less volatile?
- a) Cyclical growth industries
 - b) Growth industries
 - c) Cyclical industries
 - d) Defensive industries
 - e) None of the above
13. Accounting policy changes can help company
- a) Reduce the tax obligations
 - b) Improve its net profits
 - c) Improve its dividends per share
 - d) Improve its sales revenue

- e) Reduce the net profit
- f) All of the above
- g) None of the above

14. Pharmaceuticals industry is an example of
- a) Cyclical industry
 - b) Defensive industry
 - c) Growth industry
 - d) Cyclical growth industry
 - e) None of the above

15. Cash available with mutual funds is a
- a) Leading indicator
 - b) Coincident indicator
 - c) Lagging indicator
 - d) None of the above

SECTION 2

10 × 2 = 20 Marks

Choose the most appropriate answer with shoring reason/working. Each question carries 2 marks.

16. _____ was the grandfather of technical analysis.
- a) E F Fama
 - b) William Sharpe
 - c) Peter Lynch
 - d) Benjamin Graham
 - e) Warren Buffet
 - f) None of the above

17. Buyback of shares by a company is done for
- a) Listing of shares
 - b) Delisting of shares
 - c) Increasing D/E ratio
 - d) All of the above

18. Dollex consists of
- a) PSU Stocks
 - b) BSE Stocks
 - c) NIFTY Stocks
 - d) Dollar Stocks
 - e) None of the above

19. FCF is a better measure than
- a) EVA
 - b) MVA
 - c) PEG
 - d) All of the above

20. Availability of costlier funds

- a) Reduces the stock prices
 - b) Reduces the bond prices
 - c) Increases the stock prices
 - d) Increases the bond prices
 - e) Both a and b
 - f) Both c and d
 - g) None of the above
- 21.** While studying the fundamental indicators an analyst must focus on
- a) Inventory levels
 - b) Unemployment figures
 - c) IIP figure
 - d) Capacity utilization level
 - a) All of the above
 - b) None of the above
- 22.** To achieve the break even point with a smaller component of fixed cost's the company needs to
- a) Increase the sales
 - b) Reduce the sales
 - c) Reduce the variable costs
 - d) Increase the margin
 - e) All of the above
 - f) None of the above
- 23.** The reduced leverage of a company
- a) Increases the debt equity ratio
 - b) Reduces the debt equity ratio
 - c) Increases the return on equity
 - d) Reduces the return on equity
 - e) Both a and c
 - f) Both b and d
 - g) Both b and c
 - h) None of the above
- 24.** Trend analysis of net profit margin ratios help in identifying
- a) Business risk
 - b) Interest rate risk
 - c) Financial risk
 - d) Purchasing power risk
 - e) Both a and c above
 - f) All a, b and c
- 25.** An efficient market requires that
- a) Stock prices incorporate all information
 - b) All known information be reflected in prices
 - c) The adjustments occur very quickly
 - d) Each adjustment be perfect
 - e) All of the above
 - f) None of the above

SECTION 3

5 × 2 = 10 Marks

Attempt any five questions. Each question carries 2 marks.

26. Fundamental Analysis is building the castles on the earth rather than in the Air. Do you agree? Explain.
27. International markets have passed through worst ever crises and now the recovery process is visible. Explain the statement.
28. Of the two approaches of fundamental analysis, top down or bottom up which of the approach is more suitable. Explain.
29. FII and mutual funds invest on the basis of technicals rather than fundamentals. Do you agree?
30. BSE sensex is much followed index though NIFTY is a better index Explain?
31. Satyam saga is a glaring example of accounting deception. Do you agree?

**SECTION 4
CASE STUDY**

5 Marks

32. Based on the following results of Tamil Nadu Newsprint, what shall be your comments about buying, holding or selling TNPL? Calculate different ratios to support your answer.

Type	Un-Audited	Un-Audited	Un-Audited	Un-Audited	Un-Audited	Audited
Period Ending	31-Dec-08	30-Sep-08	30-Jun-08	31-Mar-08	31-Dec-07	31-Mar-08
No. of Months	3	3	3	3	3	12
Description						
Net Sales / Interest Earned / Operating Income	2,478.80	2,957.40	2,484.30	2,502.20	2,351.40	9,385.30
Other Income	11.40	4.20	65.70	115.20	37.20	311.30
Total Income	2,490.20	2,961.60	2,550.00	2,617.40	2,388.60	9,696.60
Expenditure	-1,733.50	-2,101.90	-1,893.50	-1,968.10	-1,712.30	-7,068.10
Interest	-185.40	-116.00	-90.30	-71.60	-74.90	-242.50
Profit Before Depreciation and Tax	571.30	743.70	566.20	577.70	601.40	2,386.00
Depreciation	-257.70	-242.40	-222.70	-207.30	-186.90	-755.40
Profit before Tax	313.60	501.30	343.50	370.40	414.50	1,630.60
Tax	-101.10	-98.60	-97.00	-96.60	-129.70	-502.30
Profit after Tax	212.50	402.70	246.50	273.80	284.80	1,128.30
Extraordinary Items	-0.20	-	-	-	-	-
Net Profit	212.30	402.70	246.50	273.80	284.80	1,128.30
Equity Capital	-	-	692.10	-	-	692.10
Basic And Diluted EPS after Extraordinary item	3.07	5.82	3.56	3.96	-	16.30
Basic EPS after Extraordinary items	-	-	-	-	4.11	-
Diluted EPS after Extraordinary items	-	-	-	-	4.11	-
Nos. of Shares - Public	44,765,700.0	44,765,700	44,765,700.	44,765,700.	44,765,700.	44,765,700.

	0	.00	00	00	00	00
Percent of Shares-Public	64.68	64.68	64.68	64.68	64.68	64.68
Operating Profit Margin	30.53	29.07	26.43	25.95	28.76	28.01
Net Profit Margin	8.56	13.62	9.92	10.94	12.11	12.02
Cash EPS	-	-	6.78	-	-	27.22

PART II (TECHNICAL ANALYSIS)
SECTION 5

10 × 2 = 20 Marks

Choose the most appropriate answer with showing/reason working. Each question carries 2 marks.

- 33.** After price data the most important data
- a) Volume data
 - b) Volatility data
 - c) Resistance data
 - d) Sector data
 - e) All of the above
- 34.** An uptrend is a trend line which
- a) Connects successive tops
 - b) Connects successive tops and bottoms
 - c) Connects successive bottoms
 - d) None of the above
- 35.** When a price breaks through a trend line, it is known as
- a) Penetration
 - b) Oscillation
 - c) Validation
 - d) None of the above
- 36.** The objective of technical analysis is
- a) To gauge the selective strength of buyers and sellers
 - b) To obtain an insight into the goods in which a company deals
 - c) To identify preferred times to buy and sell
 - d) To develop a theory as to how far prices may reasonably be expected to move
 - e) All of the above
- 37.** Technical indicators are
- a) Mathematical calculations based on price data.
 - b) Mathematical calculation based on volume data.
 - c) Mathematical calculation based on price as well as volume data
 - d) None of the above
- 38.** The price rate of change (ROC) indicator is used to
- a) Monitor the buying or selling pressure of a stock
 - b) Monitor the momentum of a stock
 - c) Monitor the trend of a stock
 - d) None of the above
- 39.** Technical analysis are comprises of
- a) Charting
 - b) Trading rules
 - c) Both charting and trading rules

- d) None of the above
- 40.** Technical analysis ignores
- a) Fundamental analysis
 - b) Trading rules
 - c) FII's inflows
 - d) Efficient market hypothesis
 - e) All of the above
 - f) None of the above
- 41.** Resistance level is a level whose the trader
- a) Should buy the stock
 - b) Should sell the stock
 - c) Is indecisive
 - d) None of the above
- 42.** When moving average line cuts the price line from the above one should
- a) Sell the stock
 - b) Buy the stock
 - c) Short sell the stock
 - d) Do nothing
 - e) Both a and c
 - f) Both b and c

SECTION 6

5 × 3 = 15 Marks

Answer the question. Each question carries 3 marks.

- 43.** From the following chart do you calculate that the NIFTY is in uptrend. Does moving Average suggest that?



44. From the following chart do you suggest the trader to short sell the stock of reliance industries? Comment.



45. From the following chart do you suggest that the stock of Infosys is not in the uptrend? Is it consolidating?



46. From the following graphs explains its support and resistance.



47. Is the stock of Tata Steel worth buying based on the following chart?



SECTION 7

5 × 3 = 15 Marks

Answer any five questions. Each question carries 3 marks.

48. Explain the following terms:-
 - a) MCACD
 - b) Double Bottom
 - c) V shape recovery
49. What are the assumptions of Technical Analysis?
50. How is trend Line drawn? How many types of trends are there in Technical Analysis?
51. What is Difference between support and resistance?
52. What is Difference between ROC and oscillator?
53. Explain the concepts of Simple Moving Average? How is it used for Technical analysis?
54. Explain the concepts of Oscillators. What are its application in Technical Analysis. Does Price Oscillators helps us in finding overbought & oversold situation?

Commodities Trading and Future

PART I (OBJECTIVE)
SECTION 1

25 × 1 = 25 Marks

Choose the most appropriate answer from the alternatives given. Each question carries 1 mark.

1. Which of the following is not the key share holder of MCX-
 - a) State bank of India
 - b) NSE
 - c) NABARD
 - d) BSE

2. _____ Option contract are tailor made contract matching the specific need of an investor.
 - a) Call
 - b) Put
 - c) OTC
 - d) All

3. When in commodity markets it appears prices are too high a speculator becomes _____
 - a) A active buyer
 - b) A active seller
 - c) Depend on individual choice
 - d) Buyer and seller both in equal proportion

4. In the price of the far month future contract is higher then the near month future contract then it is referred as a-
 - a) Volatile market
 - b) Normal market
 - c) Inverted market
 - d) Abnormal market

5. The end-of-day market settlement on commodity Futures contracts is done on a _____ settlement period.
 - a) T+1
 - b) T+3
 - c) T+2
 - d) None of the above

6. The _____ is the world's biggest exchange for trading in physical commodity futures.
 - a) London Metal Exchange
 - b) The Chicago Board of Trade
 - c) Tokyo Commodity Exchange
 - d) The New York Mercantile Exchange.

7. In order to increase the exposure limits for trading, the members may remit additional security deposit of which_____ should be in the form of cash and balance can be in the form of cash and the balance can be in the form of bank guarantee and/or fixed deposit with approved banks.
- a) Minimum 50%
 - b) Maximum 50%
 - c) Minimum 25%
 - d) Minimum 25%
8. When the cash price of an asset increase at a faster than the future price of underlying asset is referred to as-
- a) Weakening of basis
 - b) Strengthening of basis
 - c) Stable basis
 - d) None of the above
9. Commodity futures contracts which are squared off before expiry of the contract do not have implication of-
- a) Sales tax
 - b) VAT
 - c) Service tax
 - d) All of the above
10. MCX accepts bank guarantee instrument of a member issued on behalf of _____.
- a) Third party & member
 - b) Member itself
 - c) Third party provided he is client of the member
 - d) Both B & C
11. Which of the following is not the function of the clearinghouse?
- a) Collect margins from member
 - b) Guarantee validity of delivery
 - c) Monitor delivery & settlement process.
 - d) Effect pay in & pay out.
12. _____ is the oldest existing commodity exchange in the world established in the year _____?
- a) CME, 1948
 - b) COMEX, 1854
 - c) CBOT, 1848
 - d) BMD, 1919

13. In futures contracts, all of the following parameters are usually standardized by way of contract specification, except the _____?
- a) Quantity
 - b) Quality
 - c) Price
 - d) Tender Period/ Delivery Period
14. What is the value of one tick, if the tick size of MCX Rubber futures contract is Rs. 5 and trading unit & base unit is 10 MT @ 100 Kg respectively?
- a) Rs. 50
 - b) Rs. 500
 - c) Rs. 5
 - d) Rs. 5000
15. On 16th March 2009, Mr. Kunal bought a call option on June Gold futures at the strike price of Rs. 7000 per 10 gm. On 19th March 2009, the June Gold futures price closed at Rs. 7500 per 10 gm. The call option is _____.
- a) In the Money
 - b) Out of the money
 - c) At the Money
 - d) Both A and B

State whether the statements are true or false

16. For a member, payment of delivery period margin imposed on a futures contract is inclusive of the initial margin for the futures contract.
17. Delta is also called the Hedge ratio.
18. The maximum loss limit, which the system allows a member to sustain on a real-time basis, is 85% of the total deposit.
19. FMC exchange guarantees the settlement of the net settlement liability of clearing members for all trades done on the Exchange in accordance with the Byelaws of the Exchange.
20. Bombay Cotton Trade Association Limited was not India's first organized futures market.
21. The commodity exchange in India are regulated and governed under the forward contracts (regulation) act, 1956.
22. Short hedge strategy is used to protect increase in the cost of the raw material.

Fill in the blanks

23. _____ is India's first real time composite commodity future index.
24. A call option is said to be _____ if the price of the underlying futures contract is above the strike price.
25. A _____ involves buying a call option & put option of a commodity at different strike price but having the same expiration dates.

SECTION 2

10 × 3 = 30 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 3 marks.

26. Trading unit and base value unit of Chana futures contract is 10 MT and 10 Kg respectively. On 25th January 2009 a trader buys 15 lots of MCX Feb Chana futures contract at Rs. 1620 per 10 kg and wants to limit his entire loss to Rs. 15000 if the market moves against him. What should be the stop loss order?
- Rs. 1610 per 10 Kg
 - Rs. 1619 per 10 kg
 - Rs. 1609 per 10 kg
 - None of the above
27. On 15th Jan 2006, Mr. Ramalinga Raju buys 10 lots of Jan Silver futures contract at Rs. 19000 per Kg and sells 20 lots of April silver futures contract at Rs. 19400 per kg. What amount of margin blocked after considering the spread benefit? (1 contract or lot size is 10 kg; initial margin is 4%)
- Rs. 80200
 - Rs. 76800
 - Rs. 154400
 - Rs. 176800
28. In May 2008, a textiles manufacturing company obtains an export order for delivery in the month of August 2008. The export order would require 300 candy of Long Staple Cotton to be purchased by the company in July 2008. The company decides to hedge by buying July Long Staple Cotton futures contract in the month of May 2008. The standard deviation of the change in price per candy of long staple cotton is calculated as 4.8. The standard deviation of the change in the long staple cotton futures prices is 4 and the coefficient of correlation between the change in price of cotton and the change in the cotton futures price is 0.8. What is the optimal hedge ratio?
- 0.096
 - 0.96
 - 0.081
 - 0.810
29. On 1st April 2009, if the client buys one June Gold futures contract with market value Rs. 10,00,000/- at the time of purchase and the brokerage charged by the member/broker is 11 paise per Rs 100 of the transaction value, then what should be the approximate liability of service tax inclusive of education cess (Note: service tax is 12% and Education cess is 3%).
- Rs. 136
 - Rs. 148
 - Rs. 122
 - Rs. 114
30. Which of the following factor effect or influence option premium

- I. Strike price
- II. Time till expiration
- III. Risk free rate
- IV. Volatility of the underlying spot
- V. Contract
- VI. Dividend

- a) I, II, III, IV
- b) II, III, IV, V
- c) III, IV, V, I
- d) I, II, III, V

- 31.** On 1st April 2009, Mr. Vipul Batra buys four 3-month Call Option contract on June Gold Futures at strike price of Rs. 15000 per 10 gm for which he pays option premium of Rs. 750 per 10 gm. If at expiry/ maturity of option contract, the June Gold futures price is Rs. 16000 per 10 gm, then what is the pay-off for Mr. Batra? (The standard contract size of gold futures is 1 kg and each option contract is on 1 futures contract)
- a) Profit of Rs. 25,000
 - b) Profit of Rs. 1,00,000
 - c) Loss of Rs. 25000
 - d) Loss of Rs. 1,00,000
- 32.** Which among the following is not true?
- a) If the price quotation as per the commodity futures contract specification is inclusive of sales tax, then seller cannot recover sales tax from the buyer over the final settlement price.
 - b) If the price quotation as per the commodity futures contract specification is exclusive of sales tax, then seller can recover sales tax from the buyer over the final settlement price.
 - c) It is not necessary for the buyer to have sales tax registration if the buyer takes delivery in one contract and gives delivery in subsequent contract.
 - d) For the purpose of delivery, it is sufficient that a bill bearing sales tax registration of third party is accompanied with the delivery order.
- 33.** On 1st April 2008, Mr. Amitabh sells 1 kg of Gold in the cash market at a price of Rs. 12,800 per 10 gm & lends Rs. 12,50,000 @ 12% p.a. for two months. On 1st April 2008, Mr. Amitabh also buys 1 contract (1 kg each) of Gold June futures at the price of Rs. 12,850 per 10 gm. The initial margin Mr. Amitabh has paid for buying the futures contract is Rs. 30,000. On expiry of Gold June futures, Mr. Amitabh makes a profit / loss of ____.
- a) Loss of Rs 25,000
 - b) Profit of Rs 25,000
 - c) Profit of Rs 20,000
 - d) Loss of Rs 20,000

34. ____ for the trader to profit, the price of the underlying commodity future should move much ____ when compared to that of a ____
- Strangle, faster, straddle
 - Strangle, slower, straddle
 - Straddle, faster, strangle
 - Straddle, slower, strangle
35. If the tick size of MCX Gold futures contract is Rs. 10 then which of the following order cannot be accepted by the trading system?
- Rs. 10005 per 10 gm
 - Rs. 10040 per 10 gm
 - Rs. 20015 per 10 gm
 - Rs. 20030 per 10 gm
- Both b & d
 - Both a & c
 - Only a
 - Only c

SECTION 3

3 × 5 = 15 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 5 marks.

36. Mr. Harshad is an arbitrageur in the commodity market. He enters into a commodity futures transaction when he sees any risk less profit opportunity in the market. In May 2008, he buys 30 MT of Cotton at the spot price of Rs. 380/ 10 kg by borrowing the required amount @ 10% p.a. for two months (at simple interest) and simultaneously sells silver July futures contract of 30 MT at a price of Rs. 390/10 kg. What is the Arbitrage profit/loss in this transaction?
- Profit of Rs. 1100
 - Profit of Rs. 11000
 - Profit of Rs. 110000
 - No profit-loss
37. Mr. Ketan is an active trader in the commodity futures market. In April 2008, he gets an opportunity for spread trading in gold futures. He is of the view that Gold June futures contract is overpriced relative to Gold August futures contract and so he sells 10 contracts (1Kg each) of Gold June futures at the price of Rs. 12560 per 10 gm and simultaneously buys 1 contract of Gold August futures at the price of Rs. 12680 per 10 gm. In May 2008, he squares off Gold June futures contract at Rs. 12670 per 10 gm and Gold August futures contract at Rs. 12730 per 10 gm. What is his net profit or loss?
- Profit of Rs. 60000
 - Profit of Rs. 6000
 - Profit of Rs. 18000
 - Profit of Rs. 180000

38. On 15th Jan 2009, Mr. Bharat buys 30 lots of Feb gold futures contract at Rs. 9000 per 10 gm and sells 25 lots of April Gold futures contract at Rs. 9100 per 10 gm. What is the spread benefit obtained in the transaction? (1 contract or lot size is 1 kg; initial margin is 4%)
- Rs. 2,26,25,000
 - Rs. 9,05,000
 - Rs. 9,95,000
 - Rs. 1,82,000

PART II (SUBJECTIVE)
SECTION 4

5 × 3 = 15 Marks

Answer these questions. Each question carries 3 marks.

39. Explain all about Multi Commodity Exchange of India Ltd.
40. Explain Intra commodity spread with an example.
41. Explain any one of the following
 - Initial margin
 - Mark to market.
42. Explain stop loss order with an example.
43. Explain commodities trading in India

SECTION 5

3 × 5 = 15 Marks

Answer these questions. Each question carries 5 marks.

44. Difference between Inter commodity spread and Intra commodity spread with examples.
45. Explain any two of the following with examples.
 - Delivery unit
 - Base value unit
 - Trading unit
46. Explain any two of the following
 - Basis
 - Narrowing of Basis
 - Widening of basis

Retirement Planning and Employees Benefits

PART I (OBJECTIVE)
SECTION 1

25 × 1 = 25 Marks

Choose most appropriate answer from the alternatives given. Each question carries 1 mark.

1. What is the minimum amount under EDLI scheme?
 - a) Rs.45000
 - b) Rs.60000
 - c) Rs.35000
 - d) Rs.35000+ 25% of the amount in excess of balance in PF

2. The minimum monthly installment with which a post office RD account can be opened is Rs.____ and in multiples of Rs.____.
 - a) 100, 10
 - b) 500, 10
 - c) 100, 5
 - d) 10, 5

3. If the interest rate is 12% p.a. compounded monthly. Calculate effective rate of interest?
 - a) 11.386% p.a.
 - b) 12.68% p.a.
 - c) 12% p.a.
 - d) None of the above

4. Mr. Sharma has invested Rs. 2000 p.m. for 4 years in the beginning of every months. He wants to know what will be the future value of his investment after 4 years if ROI is 12% p.a.?
 - a) Rs.122445.21
 - b) Rs.9558.65
 - c) Rs.540585.21
 - d) Rs.123669.67

5. If inflation rate is 4.9% and tax rate is 30%. The required rate of return to maintain the value of an investment is _____.
 - a) 16.33%
 - b) 7%
 - c) 5%
 - d) None of the above

6. Mr. Y aged 30 spends Rs.100000 p.a. to maintain his standard of living. He wishes to increase his standard of living 2% every year till retirement. What amount will be required by him at age 60 if inflation rate is 5.5% p.a.?
 - a) Rs.498395.13
 - b) Rs.875495.52
 - c) Rs.181136.16
 - d) None of the above

7. What is the contribution of Government in General Provident Fund?
- 12% of Basic Salary
 - 6% of Basic Salary
 - 10% of Basic Salary
 - NIL
8. What is the interest rate p.a. earned by an investor on KVP?
- 8%
 - 8.25%
 - 8.41%
 - None of the above
9. A person has taken a loan of Rs.1 lac at ROI is 12% p.a. for 5 years. What his EMI will be?
- 2202.42
 - 27741
 - 2224.44
 - None of the above
10. In Which year of opening the account can the subscriber to a PPF take first loan?
- Seventh year
 - Fourth year
 - Immediately
 - Third year
11. In the event of death of an minor subscriber, the balance of PPF account is payable to whom?
- The guardian
 - Legal heirs of the minor
 - Father
 - Mother
 - None of the above
12. Minimum Administrative charges Employer has to pay towards EPS 1995 is _____.
- Rs.5
 - Rs.3
 - Rs.2
 - NIL
13. Salary for the purpose of EDLI will include :
- Basic + D.A.
 - Basic + D.A. + Retaining Allowance
 - Basic + D.A. + Retaining Allowance + Cash value of food concessions.
 - Basic + D.A. (forming part of retirement benefit) + Fixed % of commission.
14. What is the minimum number of employees in an establishment for it to come under the purview of the Gratuity Act 1972?
- 20 or above 20
 - Above 20
 - 10 or above 10
 - Above 10

15. I open my PPF account on 1-4-2007. When it will mature?
- 01-04-2024
 - 31-03-2024
 - 01-04-2023
 - 01-04-2025
16. Minimum how many years membership is required to take the advance from PF for construction of house under the EPF Act, 1952?
- 10 years membership
 - 7 years membership
 - 5 years membership
 - 3 years membership
17. Mrs. & Mr. Sharma are aged 55 and 58 years respectively. Both expect to work till they turn 65. Their only goal is to fund their retirement. Which of the following is likely to be an appropriate asset allocation strategy for them?
- 20% Sectoral equity, 60% diversified equity, 20% long-term debt
 - 10% sectoral equity, 20% diversified equity, 30% long-term debt, and 40% medium term debt
 - 80% long-term debt, 20% medium term debt
 - 30% Sectoral equity, 30% diversified equity, 40% cash/ liquid investments.
18. The limit of maximum deposit in case of MIS account opened in single name is ___
- Rs.500000
 - Rs.900000
 - Rs.100000
 - Rs.450000
19. Which of the following is not a cause of wealth erosion?
- Fall in interest rates
 - Rise in the cost of living
 - Inadequate life insurance cover
 - All of the above
20. To prepare a good retirement planning of a client a financial planner has to undertake an effective _____ process.
- Consultation
 - Counseling
 - Conversation
 - communication
21. Maximum how much one employer can contribute for his employee under EPS-95?
- Rs.541
 - Rs.239
 - 12% of employee's basic salary
 - 8.33% of employee's salary
22. Mr. Sohail got Rs.4lacs as gratuity after rendering service of 25 years. His last drawn salary was Rs.10000 p.m. If his organization is covered under the Gratuity Act, find taxable gratuity?
- 144230.77

- b) 350000
- c) 255769.
- d) NIL

23. Interest credited to Un-recognized Provident Fund shall be _____

- a) Fully exempt
- b) Fully taxable
- c) Exempt up to 12%
- d) Exempt up to 9.5%
- e) Exempt up to 8.5%

24. The minimum disability pension given to an employee is

- a) Rs.450 p.m.
- b) Rs.300 p.m.
- c) Rs.350 p.m.
- d) Rs.250 p.m.

25. What is retrenchment compensation available under the Industrial Dispute Act, 1947?

- a) 15 day's average pay for every completed year of service or part thereof in excess of 6 months
- b) 15 day's average pay for every completed year of service
- c) 7 day's average pay for every completed year of service or part thereof in excess of 6 months
- d) 7 day's average pay for every completed year of service

SECTION 2

10 × 3 = 30 Marks

Choose most appropriate answer with showing working/reason. Each question carries 3 marks.

26. PPF a/c is opened on 21/11/1993, Calculate how much amount one can avail as first withdrawal facility from the details below :

Balance in PPF A/c on

31/03/94	60000
31/03/95	168400
31/03/96	192000
31/03/97	240000
31/03/98	325000
31/03/99	415000

- a) 120000
- b) 96000
- c) 48000
- d) 162500
- e) None of the above

27. Mr. X has taken a loan of Rs.10 lacs for 5 years at rate of interest 13.5% p.a. The EMI's will start exactly after 5 years from now. Find the Interest paid in 3rd year?

- a) 79676.55
- b) 148406
- c) 162937
- d) None of the above

- 28.** Mr. X needs Rs.1000/- per annum for 15 years and Rs.2000 p.a. for next 5 years, all payments are in the beginning. If the ROI is 10% p.a., how much money should he invest today?
- 10363.15
 - 69718.10
 - 63380.10
 - None of the above
- 29.** Mr. X retired from XYZ Ltd. after completing 30 years 9 months. Salary at the time of retirement is Rs.11500 p.m. Actual gratuity received is Rs.455000. Average salary for previous 10 months is Rs.9350. Calculate the exempted amount of gratuity if XYZ Ltd. is not covered under Payment of Gratuity Act?
- Rs.350000
 - Rs.140250
 - Rs.144925
 - Rs.172500
- 30.** Mr. Gupta spends now Rs.200000 p.a. for his house hold expenses to maintain his standard of living. After 18 years he will need Rs.350000 p.a. as his household expenses. Calculate his annual increase rate in standard of living?
- 3.16% p.a.
 - 3% p.a.
 - 4% p.a.
 - None of the above
- 31.** A person deposits Rs.400000 in Monthly Income Scheme of Post Office on 15 May 2009. How much amount he will receive on maturity?
- Rs.422666.67
 - Rs.420000
 - Rs.400000
 - Rs.634749.73
- 32.** Mr. Anil Gupta has been saving Rs.105000 per year for the past 5 years and continues to save till age 50. His age is 30 years now. He will retire at age 60. He expects to live another 15 years after retirement. What will be the accumulated sum he would have at age 55 if ROI is 13% p.a. compounded quarterly?
- Rs.38939977
 - Rs.34263794
 - Rs.35869855
 - None of the above
- 33.** If the interest rate is 9% p.a. Calculate monthly effective rate of interest per month?
- 9.38%
 - 8.649%
 - 0.72%
 - 0.78%
- 34.** Mr. Y joined on 1st January 1989 in XYZ Ltd. and retired on 1st A January 2009. He got leave encashment of Rs.295000. His last drawn salary is Rs.27000. His last 10 months

average salary is 25500. He availed 285 leaves during the service. What will be his exempted leave salary amount?

- a) 255000
- b) 267750
- c) 27250
- d) None of the above

35. I want to invest Rs.4000 annually for 4 years, Rs.5000 p.a. for next 6 years and then Rs.8000 for next 4 years. If ROI is 14% p.a. find the Future value after 15 years if all payments given in the beginning of year?

- a) Rs.210244.49
- b) Rs.184424.99
- c) Rs.189000.56
- d) Rs.239679
- e) None of these

SECTION 3

3 × 5 = 15 Marks

Choose the most appropriate answer with showing working/reason. Each question carries 5 marks.

36. Mr. Abhinav opened a PPF account on 31-03-2007 and deposited Rs.60000/- as the first contribution. After that he has been increasing the PPF contribution by Rs.1000 every year till its maturity up to the maximum limit possible. Calculate what will be his accumulated balance in PPF account at the maturity?

- a) 1781028.26
- b) 1998510.52
- c) 1770195.75
- d) 1981811.408
- e) None of the following

37. Mr. Malik aged 40; an NRI has been saving Rs.150000 p.a. for last 5 years. He wants to come back India at age 60 and continue saving till 60. His life expectancy is 80. How much he can spend monthly during Retirement period i.e. from 60 to 80 if ROI is 10.5% p.a. and inflation is 5.5% p.a.?

- a) 102707.52
- b) 102303.48
- c) 719821.97
- d) None of the above

38. Mr. Dinesh gupta has two sons name Sarthak (age 7) and Moksh (age 3). I want to ensure availability of Rs.3 lakh p.a. in today's term for both of them for three years (in the beginning of Ist years, IInd year and IIIrd year) when they will be admitted in college at completed age 18 . I want to know how much should I invest yearly from now till one year before the last payment of college fees if ROI is 12% p.a. and inflation is 5% p.a.?

- a) 95895
- b) 85968
- c) 78954
- d) 92343
- e) None of the above

PART II (SUBJECTIVE)
SECTION 4

5 × 3 =15 Marks

Answer any five questions. Each question carries 3 marks.

39. What is Retirement Planning? What are the aspects to be considered while making retirement planning of a person?
40. Write a detailed note on 'Gratuity'?
41. What is an annuity? Classify annuities with examples.
42. Write a detailed note on 'Voluntary Retirement Scheme'?
43. What is the difference between Nominal rate of Interest and Effective rate of interest? Give examples also?
44. Write a note on Statutory Provident Fund Act 1925?

SECTION 5

3 × 5 = 15 Marks

Answer these questions. Each question carries 5 marks.

45. Write a detailed note on Employees Provident Fund Scheme, 1952?
46. Write detailed notes on
 - a) Monthly Income Scheme of post office
 - b) Senior Citizen Saving Scheme
47. Mr. Sharma, 45 years old working in Kotak Mahindra Bank, is earning Rs.50000 p.m. He comes to you for his retirement planning. Prepare his Retirement Plan after getting information you need?

Tax Planning and Estate Planning

PART I (TAX PLANNING)
SECTION 1 (OBJECTIVE)

20 × 1 = 20 Marks

Choose the most appropriate answer from the alternatives given. Each question carries 1 mark.

1. Mr. J who is a person of Indian origin visited India on 3rd October, 2008 and plans to stay here for 185 days. During 4 years prior to PY 2008-2009, he was in India for 750 days. Earlier to that he was never in India. For AY 2009-2010, Mr. J shall be:
 - a) Resident of India.
 - b) Non resident of India.
 - c) Resident and ordinary resident of India.
 - d) Resident but not ordinary resident of India.

2. The Gardner, sweeper and the watchman are employed by the employee but their salary of Rs. 500 p.m. per person is paid by the employer. The valuation of this perquisite shall be:
 - a) Rs. 500 pm.
 - b) Rs. 1500 pm
 - c) Rs. 2000 pm
 - d) Nil

3. In case an assessee is engaged in the business of retail trade, presumptive income scheme is applicable if the total turnover of such retail trade goods does not exceed:
 - a) Rs. 45 lakhs
 - b) Rs. 40 lakhs
 - c) Rs. 25 lakhs
 - d) Rs. 40 lakhs

4. Mr. J was born on 5/4/1995 in India and he later on took the citizenship of USA. Neither his parents nor any of his grand parents were born in divided/undivided India. Mr. J in this case shall be:
 - a) Citizen of India.
 - b) Person of India origin.
 - c) A foreign national.
 - d) Resident of India

5. Rent from vacant site is taxable as:
 - a) Income from house property.
 - b) Business income.
 - c) Income from salary.
 - d) Income from other sources

6. Mr. J has total income of Rs. 200000 and Mrs. J has total income of Rs. 180000. Their minor daughter has earned Rs. 5000 as bank interest. What shall be total income of parents?

- a) Mr. J Rs. 200000 and Mrs. J 180000.
 - b) Mr. J Rs. 205000 and Mrs. J 180000.
 - c) Mr. J Rs. 200000 and Mrs. J 185000.
 - d) Mr. J Rs. 203500 and Mrs. J 180000.
7. The income derived from the property held under the trust wholly for charitable purposes is exempt from tax on the fulfillment of certain conditions. One of those conditions is:
- a) At least 75% of the income has to be applied for the approved purposes.
 - b) At least 85% of the income has to be applied for the approved purposes.
 - c) At least 95% of the income has to be applied for the approved purposes.
 - d) Whole of the income has to be applied for the approved purposes.
8. For an employee in the receipt of children education allowance for his three children, the maximum exemption under section 10(14) shall be
- a) Rs. 2400 pa.
 - b) Rs. 1200 pa.
 - c) Rs. 3600 pa.
 - d) None of the above.
9. Income accruing and received in India shall be taxable in the case of :
- a) ROR of India
 - b) NOR of India
 - c) NR of India
 - d) All of the above
10. The rate of tax on STCG income on sale of listed equity shares is:
- a) 20%
 - b) 15%
 - c) 30%
 - d) 10%
11. The basic source of income tax is:
- a) Income tax act 1961
 - b) Circulars issued by CBDT
 - c) Notification issued by CBDT
 - d) Judgments of high court and supreme court
12. A new business was set up on 15/10/2008. The first previous year in this case will be:-
- a) 15/10/2008 to 31/3/2009
 - b) 15/10/2008 to 14/10/2009
 - c) 1/1/2008 to 31/12/2008
 - d) None of the above.

13. ABC Ltd is an Indian company whose entire control & management of affairs is situated outside India. Such company shall be:-
- Resident in India
 - Non – resident in India
 - Resident but not ordinary resident of India.
 - Non citizen of India.
14. Mr. A is partner in a partnership firm. He received salary from his firm. His salary will be taxable under the head:-
- Income from salary.
 - Profit from business or profession.
 - Income from other sources.
 - Capital gains
15. For a person carrying on profession, tax audit is compulsory if the gross receipts in a previous year exceeds :-
- Rs. 10 lakhs.
 - Rs. 20 lakhs.
 - Rs. 30 lakhs.
 - Rs. 40 lakhs
16. Deduction U/S 80D in respect of mediclaim premium is limited to:-
- Rs. 10,000.
 - Rs. 30,000.
 - Rs. 60,000.
 - None of the above
17. Ramesh received gift of Rs. 10,000 from a HUF which is his employer. This amount is taxable as
- Income from Salary.
 - PGBP.
 - Income from other sources.
 - Capital Gains.
 - Fully exempt from tax
18. A person may have different residential status for different sources:
- Yes
 - No
19. Long term capital loss from sale of equity shares on which securities transaction tax has been paid.
- Cannot be set off
 - Cannot be carried forward for more than 8 years
 - Can be set off against other long term capital gains
 - Can be set off against short term capital gains
 - Both a and b.

20. Arrears of rent recovered during the PY shall be taxable as income from house property after deducting
- Nothing whatsoever
 - 30% of NAV
 - 30% of arrears of rent recovered
 - Actual expenditure on recovering the arrears.

SECTION 2 (OBJECTIVE)

10 × 3 = 15 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 3 marks.

21. Mr. J was employed from 1st August 2000 in the grade of Rs. 15000-500-20000-750-27500. What will be his gross salary for the AY 2009-2010?
- Rs. 226000.
 - Rs. 207000.
 - Rs. 245000.
 - Rs. 225500.
22. (i) Pension received by family members after the death of the employee is known as family pension
(ii) Such family pension is regarded as income under the head salary.
- Statement (i) and (ii) both are correct
 - Statement (i) and (ii) both are incorrect
 - Statement (i) is correct but statement (ii) is incorrect
 - Statement (i) is incorrect but statement (ii) is correct
23. Mr. J manufactures a product from rubber plants grown by him in India. These are then sold in the market for Rs. 30 Lakhs. The cost of growing rubber plants by him in India is Rs. 10 Lakhs and that of manufacturing a product is Rs. 8 Lakhs. Compute his total income for the AY 2009-2010 is:
- Rs. 400000.
 - Rs. 780000.
 - Rs. 420000.
 - Rs. 760000.
24. Mr. J received Rs. 90000 as the recovery of arrear of rent during the PY 2008-2009. The amount taxable for Mr. J would be:
- Rs.90000.
 - Rs.63000.
 - Rs.60000.
 - Rs.81000

25. (i) Dividend paid by an Indian company is taxable for the shareholder
(ii) Dividend paid by a foreign company is taxable for the shareholder
a) Statement (i) and (ii) both are correct.
b) Statement (i) and (ii) both are incorrect.
c) Statement (i) is correct but statement (ii) is incorrect.
d) Statement (i) is incorrect but statement (ii) is correct.
26. Mr. J is a farmer and is also working as an accountant in a company. He wants to know, when integration of agricultural income and non agricultural income will be made:
a) When agriculture income of Mr. J is more than Rs. 5000 and non agriculture income is more than Rs. 150000.
b) When agriculture income of Mr. J is more than Rs. 150000 and non agriculture income is more than Rs. 5000.
c) When both agriculture income of Mr. J and non agriculture income of Mr. J are more than Rs. 150000.
d) When both agriculture income of Mr. J and non agriculture income of Mr. J are more than Rs. 5000.
27. An individual is liable to pay advance tax if :
(i) His total income is more than basic exempt limit.
(ii) His tax liability after reducing TDS is Rs. 5000 or more.
a) Statement (i) and (ii) both are correct.
b) Statement (i) and (ii) both are incorrect.
c) Statement (i) is correct but statement (ii) is incorrect.
d) Statement (i) is incorrect but statement (ii) is correct.

SECTION 3 (OBJECTIVE)

3 × 5 = 15 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 5 marks.

28. W.D.V of the block consisting of 5 machines for which the depreciation rate is 15% as on 1/4/2008 is Rs. 500000. 1 new machine costing Rs. 100000 was acquired on 1/1/2009 and put to use on 1/2/2009. Another new machine costing Rs. 200000 was purchased on 1/3/2009 but was put to use on 1/4/2009. During the PY 2008-2009, 2 old machineries have been sold of Rs. 540000. The depreciation to be allowed for this block shall be:
a) Rs.9000.
b) Rs.4500.
c) Rs.5000.
d) None of the above. (What is the correct amount?)

29. J Ltd. is engaged in providing telecommunication services in India. For this purpose it enters into a agreement on 1/4/2008 with the Department of Telecommunication, Government of India. J Ltd. is given a license for providing telecommunication services in M.P. for a period of 10 years from 10/4/2008. License fees are fixed at Rs. 18 Lakhs payable in two equal installments on 10/4/2008 and 10/4/2009. Assuming that the two installments are paid by J Ltd., on due dates, find out admissible deduction u/s 35 ABB for the previous year 2008-2009 and 2009-2010.
- Rs. 90000 in PY 2008-2009 and Rs. 190000 in PY 2009-2010.
 - Rs. 190000 in PY 2008-2009 and Rs. 90000 in PY 2009-2010.
 - Rs. 100000 in PY 2008-2009 and Rs. 200000 in PY 2009-2010.
 - Rs. 200000 in PY 2008-2009 and Rs. 100000 in PY 2009-2010.
30. Compute the gross total income of Mr. J for the AY 2009-2010 from the information given below
- | | |
|--|----------|
| Net income from house property | 75,000 |
| Income from textile business (before providing for depreciation) | 2,10,000 |
| Short term capital gains on sale of listed equity shares | 70,000 |
| Long term capital loss from sale of property | 1,00,000 |
| Current year depreciation of textile business | 15,000 |
| Brought forward textile business loss from AY 2008-2009 | 30,000 |
- Rs. 310000
 - Rs. 240000
 - Rs. 210000
 - Rs. 340000

SECTION 4 (SUBJECTIVE)

6 × 4 = 24 Marks

Answer any six of the following.

- Mention any 10 items of exempted incomes.
- Mention important dates of filing income tax return and payment of advance tax.
- Explain rules for determining business income for a whole sale traders who is not maintaining regular books of accounts.
- Explain the taxability of Leave salary.
- Explain provisions of clubbing of income of minor children.
- How will you determine the residential status of an individual for income tax purposes?
- Mr. X is a businessman and approaches you for an advice as to the computation of depreciation of various fixed assets. What points you would mention in your report to Mr. X?

PART II (ESTATE PLANNING)
SECTION 5 (OBJECTIVE)

10 × 1 = 10 Marks

Choose the most appropriate answer form the alternative given. Each question carries 1 mark.

38. A person dying without a will-
- Testate
 - Intestate
 - Trustee
 - Orphan
39. A Hindu coparcenary include-
- Son
 - Grandson
 - Daughter
 - Great grandson
40. Escheat means-
- Person dying with trust formation
 - Widow remarrying may not inherit as widows
 - If an intestate has left no heirs his property devolve on the government
 - None of the above
41. What are the parties to power of attorney called-
- Donor and donee
 - Debtor and receiver
 - Client and attorney
 - Any of the above
42. _____ refer to transfer of property in pursuance of a will
- Execute
 - Probate
 - Codicil
 - bequest
43. _____ of a deceased who is related to him by blood or adoption wholly through male
- Karta
 - Cognate
 - Agnate
 - Full blood
44. Trusteeship can transfer by legacy.
- True
 - False
45. _____ is a formal arrangement by which one person gives another person authority to act on his behalf and in his name
- Will
 - Agreement
 - POA
 - Trust

46. The murderer or an abettor of a murder will not succeed to the estate of the person who was murdered.
a) True
b) False
47. The daughter of a coparcener cell by birth become a coparcener in her own right in the same manner as the son
a) True
b) False

SECTION 6 (OBJECTIVE)

2 × 2 = 4 Marks

Choose the most appropriate answer with showing reason/working. Each question carries 2 marks.

48. What are the two person called if they are related and when they are descended from a common ancestor but by different wives-
a) Half blood
b) Uterine blood
c) Full blood
d) Cognate
49. What is stridhan-
a) It is property received by a woman in partition of a parental property
b) It is asset and property owned by a woman which has been received by her by way of gift
c) Both of the above
d) None of the above

SECTION 7 (SUBJECTIVE)

2 × 3 = 6 Marks

Answer these questions. Each question carries 3 marks.

50. Explain the following term-
a) Codicil
b) Wakf
c) Power of attorney
51. Explain who all are included in class1 and class 2 legal heirs.

Planning for NRIs & HNIs

PART I (PLANNING FOR NRI AND HNIs)
Section 1

Marks 1 × 25 = 25

Choose the most appropriate answer. Each question carries 1 mark.

1. Which of the following organization publish World Wealth Report ever year?
 - a) World Bank
 - b) IMF
 - c) Merrill Lynch & Cap Gemini
 - d) Asian Development Bank

2. The risk of partial or complete loss of invested capital in the event of the failure of a company or scheme due to an unsound financial structure is known as Financial risk
 - a) Financial Risk
 - b) Business Risk
 - c) c)Political Risk
 - d) None of these

3. Mr Abdul is the citizen of Maldives treated as _____
 - a) PIO
 - b) NRI
 - c) c)PIS
 - d) None of these

4. _____ has been replaced by FERA ?
 - a) FEMA
 - b) RBI
 - c) SEBI
 - d) None of these

5. High net clients expect a _____degree of personalized attention from their primarily financial advisors?
 - a) Low
 - b) High
 - c) Moderate
 - d) None of these

6. According to the latest Asia-Pacific Wealth Report in _____there were an estimated 1,23,000 millionaires at the end of 2007, up 22.7 percent from the previous year.
 - a) India
 - b) China
 - c) Brazil
 - d) None of these

7. The_____ the difference between needs and wants, setting smart goals, understanding how your money affects your goals and what personal financial responsibility means.
 - a) Wealth planning process
 - b) Financial planning process
 - c) Investment planning process
 - d) None of these

8. Permanent Account Number (PAN) is a alphanumeric number, issued in the form of a laminated card, by the Income Tax Department.
- Five -Digit
 - Ten-digit
 - Seven-Digit
 - Eleven –Digit
9. Mr. Tarun Kumar is person of Indian origin on 2/10/2006 & plans to stays here for 210 days .During 4 years prior to previous year 2006-07 , he was in India for 950 days .Earlier to that he was never in India . For the assessment year 2007. Mr Lav shall be :
- Resident & ordinary resident in india
 - Resident but ordinary resident in india
 - Non Resident
10. India is _____largest Forex exchange reserve country in the world?
- 1
 - 4
 - 5
 - 6
11. If an NRI investor is concerned that he or she will not be able to sell an investment when needed, what kind of risk will the investor be incurring?
- Liquidity
 - Business
 - Exchange rate.
 - Financial.
12. Which of the following constraints concerns individual investors *least*, with respect to their portfolios?
- Political issues.
 - Legal Issues
 - Liquidity.
 - Taxes
13. Mumbai is _____largest city in terms of billionaire population as per Forbes American business magazine?
- Seventh
 - Tenth
 - Eleventh
 - Sixth
14. Can an NRI, & FIIs invest in mutual funds in India?
- Yes
 - No
15. Can shares/debentures be given away as gifts to relatives?
- Yes
 - No
16. Can NRIs make investments in non-convertible debentures of Indian companies?
- Yes

b) No

17. John was born in England in 1966. His father was born in America in 1926. John's grandfather was born in Lahore in 1916. Will John be a resident in India if he visits India for 180 days during the previous year 2007-08?

- a) Yes
- b) No

18. Financial Planning is:

- a) Investing assets to receive the highest rate of return possible.
- b) Keeping taxes as low as possible
- c) Planning to retire with the maximum income possible
- d) A process of solving financial problems and reaching financial goals.

19. A tourist on 15 days tour to Europe can be called as NRI?

- a) Yes
- b) No

20. India has largest number of billionaires in Asia

- a) Yes
- b) No

21. NRIs are _____ to make direct investments in shares/ debentures of Indian companies/ units of mutual fund. They are also permitted to make portfolio investments i.e. purchase of share / debentures of Indian Companies through stock exchange. These facilities are granted both on repatriation and _____ basis?

22. What is a NRE account? Can money be transferred from NRE account to NRO account?

23. "Climbing rupee takes the shine off NRI remittances" Comment on the statement?

24. As per _____, for a person to retain the status of NRI, his stay when he arrives in India should be for a period of _____ days or less during a year?

25. An NRI should have a bank account _____ with designated bank, which is approved by _____ for this purpose.

Section 2

Marks 2 × 5 = 10

Answer these questions. Two marks each.

26. X came to India from Australia for the first time on 2-10-2006. He returned to his home country after staying in India upto 28-9-2008. Will he be a resident in India for the assessment years 2007-08 & 2008-09?

27. A Ltd is an Indian Co. It carries on business in New Delhi & London. The entire control & management of A Ltd is situated outside India. 80% of the total income of the company is from the business in London. What is the residential status of A Ltd?

28. Why are P-Notes popular among NRIs?

29. Neeraj is a Non-Resident Indian (NRI). He wants to invest his money to establish a big farm house, which may include different projects like fishery, poultry etc., apart from agriculture. Please advise that can Neeraj buy the agricultural land for this purpose?

30. Is financial planning really making progress in India? Please comment?

Section 3

15 Marks

Financial Planning for NRI and HNIs

No Negative marking in this section.

Nishant is an Indian student of Amity University who graduated in 2005 who went to Harvard University, United State for MBA. After MBA, Merrill Lynch offered a job to work on Wall Street where he have been working on their Derivatives Trading Desk as a Senior Trader now. Due to heavy financial turbulence in US economy many companies cut there jobs. Nishant is in panic to lose his job & planning to relocate to India. Almost all of Rajeev savings are in the US; in US mutual funds and bonds. He has no exposure to India in his asset allocation, although he does expect to inherit some Indian assets over time. Suppose you are the financial advisors of Nishant & he gives the corpus of Rs. 75,00,000 .Prepare the financial plan for Nishant ?

His Financial goals are:

- To buy his new house new after 2 years estimated cost Rs. 3500000
- To provide Rs.35, 00,000 after 18 years for his children education.
- To accumulate Rs.3 crores in 30 years time for his own retirement planning.

Prepare the financial plan keeping in mind current financial condition?