BRAINWARE UNIVERSITY

Course – MBA

Financial Planning & Wealth Management (FM404)

(Semester – 4)

Time allotted: 3 Hours   **Full Marks: 70**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)   10 x 1 = 10

1.   *Choose the correct alternative from the following*

(i)   Main difference between passive and non earned income is-

   a. Passive income and earned income
   b. No difference
   c. Non earned income is value of bartered service or goods
   d. Non earned income is exempted from tax

(ii)   When money will not give you happiness

   a. You have more than everyone else in your area
   b. You have enough to buy everything you desire.
   c. You use it to do good and are responsible with your money
   d. You use enough to survive

(iii)   Empty nest life stage is-

   a. 16-24
   b. 25-40
   c. 41-60
   d. >60

(iv)   You have received Rs 20,000 when you are at your 16th birthday. You have invested it at 4%. How much you get on your attaining 21 years age.

   a. Rs 24,330
   b. Rs 24,331
   c. Rs 24,332
   d. Rs 24,333

(v)   When your cash flow is considered 'in the red' ?

     a. Income > spending   b. Spending > income

     c. 20 lakhs   d. 25 lakhs

(vi)   Which one is not a part of the financial market?

     a. Derivative market   b. Insurance market

     c. Foreign exchange market   d. None of the above

(vii) Secondary stock market deals with

     a. New shares   b. Already issued shares

     c. Shares to be issued in future   d. All of the above

(viii) Sum of incremental cash flow is negative. Then ROR of incremental investment will be-

     a. Positive   b. Negative

     c. Zero   d. All are possible

(ix)   Life Insurance

     a. Provides benefits to dependents on holder's death   b. Provides benefits to holder

     c. Assumes that need will not change over time   d. None of these

(x)   Derivatives include-

     a. Futures   b. Options

     c. Swaps   d. All of them

Group – B

(Short Answer Type Questions)   3 x 5 = 15

Answer any *three* from the following

2. What do you mean by annual percentage rate (APR) and annual percentage yield (APY). Suppose APR is 12% per annum. If interest is compounded quarterly, calculate APY.   [5]

3. ABC corporation has paid Rs. 10 dividend last year. Market expectation is Rs. 12 dividend from next year. This growth rate of 20% will be maintained. If investors' expected return is 25%, calculate price of share.   [5]

4. Why an incremental ROR is necessary when conducting ROR analysis for cost alternatives.

    [5]

5. (a) What is a financial plan?

    (b) What do you mean by wealth management?   [2+3]

6. Explain following anomalies in behavioral finance:

    (a) January effect (b) Winners curse (c) Equity premium puzzle   [5]

Group – C

(Long Answer Type Questions)   3 x 15 = 45

Answer any *three* from the following

7.   X requires Rs 2,00,000 after 5 years for a trip. This amount is calculated on the basis of today's money value.

    (a)   If inflation rate is 2% per year, then how much will be his financial savings goal to make the trip successful?   [5]

    (b)   He wants to make one time investment in his savings account. It pays 5% interest. How much deposit is required?   [5]

    (c)   Suppose his savings account pays 4% interest. He wants to save a fixed amount, at the end of each month. Then how much he will save per month to fulfill the objective?   [5]

8.   A cement company has issued a 10 years bond of Rs. 100 each. Coupon rate is 12% payable semi-annually. Five years already expired. When it was issued, market rate of interest was 12%. Now it is 14%. Calculate current market price of bond. Explain the process in detail.   [15]

9.   Consider data of 2 projects

	P	Q
First cost, Rs.	-18,000	-35,000
AOC, Rs per year	-4,000	-3,600
Salvage value	1,000	2,700
Life	3 years	6 years

Take decision on the basis of incremental ROR method.   [15]

10.   Explain different steps of creating a financial plan.   [15]

11.   What do you mean by financial independence? Explain it in detail
        by using a suitable diagram.   [15]