



BRAINWARE UNIVERSITY

Term End Examination 2018 - 19

Programme – Master of Commerce in Banking & Financial Accounting

Course Name –Financial Planning & Wealth Management

Course Code –MCM305A

(Semester – 3)

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) Which one is not included in passive income?

a. Share dividend

b. Tips

c. Rental income

d. Interest on savings account

(ii) Which one is not personal finance life stage?

a. Early family

b. Retirement

c. Independent

d. Development

(iii) Early family life stage is attained at the age-

a. <16 years

b. 16-25 years

c. 25-40 years

d. >40 years

(iv) Frugal is a method of achieving goals. It indicates

a. Save by leading simple life style

b. Resources just adequate to satisfy requirements

c. Optimum satisfaction level is achieved.

d. None of them

- (v) If 10% interest is compounded quarterly, then annual percentage yield (APY) determination formula is-

a. $\left(1 + \frac{4}{10}\right)^4 - 1$ b. $\left(1 + \frac{10}{4}\right)^4 - 1$
 c. $\left(1 + \frac{4}{10}\right)^{10} - 1$ d. $\left(1 + \frac{10}{4}\right)^{10} - 1$

- (vi) A person has deposited Rs. 10,000 for birthday after 3 years of his child, when he will be 5 years of age. Bank is paying 12% interest compounded semi-annually. How much he will get at the time of celebration?

- a. Rs. 14,049.00 b. Rs. 14,185.20
 c. Rs. 14,233.10 d. Rs. 14,257.60

- (vii) When is your cash flow 'in the red'?

- a. Income > spending b. Spending > Income
 c. Net cash flow > Income - spending d. Net cash flow > Spending - Income

- (viii) Which of the following methods can you use to move money from savings account?

- a. Cheque b. ATM
 c. Automatic transfer d. All the above.

- (ix) An investor wants to invest for getting some extra return over bank rate. He is ready to take some risk, but has very little knowledge about investment opportunities. He will prefer to invest in-

- a. Share b. Bond
 c. Mutual fund d. Gold

- (x) Which one of the following statement is not true?

- a. Short term rate of interest is greater than long term interest rate. b. Short term loans are easy to recover.
 c. Default risk is less in short term loan d. Short term loans are generally valid for short term period.

Group – B

(Short Answer Type Questions)

3 x5 = 15

Answer any *three* from the following

2. A company has paid dividend of Rs.5 five years back. Now it is Rs.25. Par value of share is Rs.100. If cost of capital (kd) is 45%, and same growth rate in dividend will be maintained in coming years, then calculate value of this share now. 5
3. (a) Mr. R purchased a share at Rs.100. Price of share moved to Rs.180 one year later. During this period, he has received 10% dividend. Calculate holding period return in percentage. 5
 (b) If he has paid 40% of the investment value as margin and has borrowed the balance at 15% interest, what will be the holding period return? 3+2
4. Explain pension and provident fund. How they differ? 3+2
5. A share has face value of Rs.100. It has paid Rs.5 dividend in the current year. Dividend is expected to grow at 10% for next 3 years. Thereafter growth rate will be 5% for ever. Calculate value of share. 5
6. A person has attained 58 years of age. He will retire within next 2 years. His son is now 28 years and working as executive in a multinational. Both of them want to invest in mutual fund. Advice. 5

Group – C

(Long Answer Type Questions)

3x 15 = 45

Answer any *three* from the following

7. (a) What is financial plan? 3
 (b) Discuss in detail steps required to create financial plan. 12
8. (a) Each year on his child's birthday, Mr B deposits Rs.1,000 into a saving's account that earns 5% annually. How much child will get at his age of 65 years? 6
 (b) How the accumulated amount will differ, if deposits are made on the last day of the year? 5
 (c) What accounts for the difference between answer of part (a) and part (b)? 4
9. (a) A bond has face value of Rs.1,000 and a coupon rate of 12%. YTM of the bond is 14%. Find Macaulay's duration, when coupon is paid annually. Bond will mature after 5 year's. 5
 (b) What is price of a zero coupon bond with face value Rs.10,000, and provides a yield of 15% over a period of 8 year's? 5
 (c) Consider same bond of part (b) above. If it is sold for Rs.4,000, What will be the YTM of bond? 5

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| 10. | (a) | What is mutual Fund? | 2 |
| | (b) | Explain its advantage | 8 |
| | (c) | Is there any limitation? Explain. | 5 |
| 11. | (a) | A is 16 years now. He needs Rs. 100,000 when he turns out 22 years. Parents have decided to put Rs. 15,000 each year at savings account. How close will be to his goal if simple interest at 4% is paid | 5 |
| | (b) | What will be the result if 4% compound interest is paid? | 5 |
| | (c) | Show the same result in a situation of 4% interest compounded semi-annually. | 5 |
