



BRAINWARE UNIVERSITY

Term End Examination 2020 - 21

Programme – Bachelor of Commerce (Honours) in Banking & Financial Accounting

Course Name – Financial Planning and Wealth Management

Course Code - BCM505A

Semester / Year - Semester V

Time allotted : 85 Minutes

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)

1 x 70=70

1. (Answer any Seventy)

(i) A type of contract in which the contract holder has the right to sell an asset at specific price for predetermined period is known as-

- | | |
|------------------------|----------------------|
| a) Option | b) written contract |
| c) determined contract | d) featured contract |

(ii) In financial planning, the formula $\text{Max}[\text{current price of stock} - \text{strike price}, 0]$ is used to calculate

- | | |
|-----------------------|-------------------|
| a) option return rate | b) exercise value |
| c) option value | d) stock value |

(iii) Seller of option in financial market are classified as-

- | | |
|--------------------|------------------|
| a) expiry writer | b) option writer |
| c) contract writer | d) bond writer |

(iv) When is trail commission paid?

- | | |
|---|-------------------------------------|
| a) Until investment is cashed | b) When the investment is cashed in |
| c) From the first anniversary of sale and onwards | d) As an up-front charge. |

(v) Where a consumer will go for general financial advisory?

- | | |
|--------------------|--------------------|
| a) High-street IFA | b) Discount broker |
|--------------------|--------------------|

c) Local broker

d) Financial planner

(vi) What is typical commission rate for single period investment?

a) 25%-30%

b) 4%-6%

c) 7%-10%

d) 15%-20%

(vii) Risk management of morbidity refers to:

a) Ongevity

b) Health related insurance

c) Life assurance

d) Investors pessimism

(viii) Soft' data in the financial plan includes:

a) Income

b) Religious belief

c) State of health

d) Age

(ix) Goals and objectives must be consistent with -

a) Business objective

b) Investors risk

c) None of these

d) Marketing strategy

(x) Greater the Greater is the opportunity for selling

a) Similarity of service

b) Degree of variation

c) Degree of customers contact

d) Differentiation

(xi) Definition of Financial Planning is

a) "Financial Planning is the process of meeting one's life goals through the proper management of personal finances."

b) "Financial Planning is the process of meeting one's life goals."

c) "Financial Planning is the proper management of personal finances."

d) None of these

(xii) Most common life goal does not include-

a) Children's future including education

b) Corpus for starting own business

and marriage

c) Buying a house

d) Comfortable Retirement

(xiii) While offering solutions to clients, the following aspects of personal finance need not be analyzed as a whole rather than seeing them in isolation

a) Income

b) Expenses

c) Risk tolerance

d) Estate

(xiv) Net Worth is

a) Assets + liabilities

b) Assets + Liabilities - Existing Insurance

c) Assets - Liabilities + Existing Insurance

d) Assets - liabilities

(xv) Cash and cash equivalents are example of

a) Cash Flows

b) Net worth

c) Liabilities

d) Assets

(xvi) Land is normally considered as

a) Liquid assets

b) Short term investment

c) Long term investment

d) Medium term investments

(xvii) Difference between physical and financial assets is basis

a) Tangibility

b) Riskiness

c) Both Tangibility & Riskiness

d) None of these

(xviii) There are tax sops are available for

a) Car loan

b) Card Loans

c) Personal Loans

d) Home Loans

(xix) This ratio indicates what percentage of assets are cash or can be converted into cash within a short period.

a) Saving Ratio

b) Debt equity ratio

c) Liquidity Ratio

d) Return on Equity

(xx) Normally, how many months' expenses should be put aside so that they can be liquidated at a short notice

a) 0-3 months

b) 4-6 months

c) 7-9 months

d) 6-12 months

(xxi) Financial planning can best be defined as a process for making sure that

_____.

a) Company is solvent

b) The company is liquid and has paid all of its investors dividend

c) Cash flow of the company is positive

d) Resources are allocated to maximize profitability

(xxii) Why is financial feasibility an important step in financial planning?

a) It allows the company to gauge risk and return of a particular idea.

b) It provides adequate cash flow for operations by ensuring that the company does not have to pay any more taxes than it is supposed to.

c) It involves determining whether the potential revenue of a project exceeds its anticipated costs and will increase profits.

d) It is a requirement of the SEC for company stock filings.

(xxiii) A budget is not:

a) a plan

b) Forecast

c) a part of the strategic management process

d) a qualitative statement

(xxiv) Strategic plans are:

a) budgets

b) short-term

c) forecasts

d) long-term

(xxv) The assumptions underlying a company's financial planning model do not include:

- a) levels of working capital
- b) levels of sales growth
- c) levels of investment
- d) level of Directors remuneration

(xxvi) The purpose of strategic planning is not to consider:

- a) expected growth
- b) methods of tax evasion
- c) dividend policy
- d) ong-term financing

(xxvii) The most common cause(s) of financial problems are:

- a) undercapitalization
- b) Inadequate expense control
- c) credit terms.
- d) all of these

(xxviii) Which forecast gives management some sense of the profit potential possible of different strategic plans?

- a) short-term forecast.
- b) cash flow forecast.
- c) long-term forecast
- d) none of these

(xxix) A statement that projects management's expectations for revenues and, based on those financial expectations, allocates the use of specific resources throughout the firm is called

- a) a cash flow
- b) a budget.
- c) a resource plan.
- d) a resource allocation

(xxx) The most widely used source of short-term funding is:

- a) factoring
- b) trade credit.
- c) family and friends
- d) commercial banks

(xxxi) A firm's profit that is distributed to shareholders is called:

- a) Interest
- b) Dividend
- c) Discount
- d) Stock certificates

(xxxii) The type of corporate ownership stock that gives owners preference over common shareholders in the payment of dividends and in a claim on assets if the company is liquidated is called:

- a) preferred stock
- b) common stock
- c) bond holder
- d) creditors

(xxxiii) An employee wants to know more on superannuation/annuity plan for knowledge. Deduction of contribution to annuity plan to certain pension fund is allowed under Section 80(C)-

- a) Individual resident in India
- b) Individual assessee only
- c) Individual or HUF
- d) Any assessee

(xxxiv) An employee wants to know more on superannuation/annuity plan for knowledge. The term 'employee benefits' include contributions in which of the following categories of schemes?

- a) Non occupational disability Insurance
- b) Unemployment compensation Insurance
- c) Social security scheme
- d) Group Insurance scheme

(xxxv) To what extent employees contribution to provident fund and Superannuation scheme is treated as deductible expense

- a) 12% of salary of employees
- b) 15% of salary of employees
- c) 24% of salary of employees
- d) 27% of salary of employees

(xxxvi) Bank does not give loan against

- a) Ornaments
- b) LIC policy
- c) Lottery tickets
- d) NSC

(xxxvii) ATM password should be kept in-

- a) Personal diary
- b) Office diary
- c) Memory
- d) All of these

(xxxviii) Minimum age required to open Saving account in bank is

- a) 8 years
- b) 10 years
- c) 12 years
- d) None of these

(xxxix) Bond duration is bond maturity period

- a) Greater than
- b) Less than
- c) Equal to
- d) Greater than, less than or equal all are possible.

(xl) ATM will mean

- a) Any time money
- b) All-time money
- c) Auto truck of Mahindra
- d) Automated Teller machine

(xli) LIC will mean

- a) Life Insurance of human
- b) Insurance of life of human and cattle
- c) Insurance of machine life
- d) All of these

(xlii) Aadhaar is -

- a) 12 digit number card
- b) Identity proof issued by UIDAI
- c) Both 2 digit number card & Identity proof issued by UIDAI
- d) None of these

(xliii) E or S means-

- a) East or South Zone
- b) Easy or Swift
- c) Either or Survivor
- d) None of these

(xliv) PPF will mean

- a) Pension and Provident Bank
- b) Public Provident Fund
- c) Persons having pension facility
- d) Pension planning fund

(xlv) In regression of CAPM model an intercept of excess return is classified as

- a) Jensen's alpha
- b) Sharp reward to variability ratio

- c) Tenors variance to volatility ratio d) Tenors reward to volatility ratio

(xlvi) LIC paying lump sum on maturity is known as-

- a) Unit linked Insurance b) Endowments
c) None of these d) Universal life coverage

(xlvii) A high portfolio return is subtracted from low portfolio return to calculate

- a) HML porffolio b) R portfolio
c) subtracted portfolio d) ML portfolio

(xlviii) is an inherently tax inefficient strategy of generating cash flow-

- a) Total return portfolio b) Income portfolio
c) partial return portfolio d) absolute portfolio

(xlix) ----- comes without risk of principal loss

- a) Convertibility b) Marketability
c) liquidity d) None of these

(l) Choice of correlation coefficient is in between

- a) -1 to +1 b) 0 to 2
c) 0 to 1 d) -1 to 3

(li) The long-run objective of financial management is to:

- a) maximize earnings per share b) maximize the value of the firm's
common stock.
c) maximize return on investment. d) maximize return on investment.

(lii) What are the earnings per share (EPS) for a company that earned Rs.100,000 last year in after-tax profits, has 200,000 common shares outstanding and Rs.1.2 million in retained earning at the year end?

- a) Rs.100000
- b) Rs.6
- c) Rs.6.50
- d) Rs.0.50

(lii) Mutual funds in India are permitted to invest in

- a) Securities
- b) Securities and Gold
- c) Securities other than real estate
- d) Securities, gold and real estates

(liv) Which of the following risks do not affect a debt fund

- a) Default by issuer on payment of interest and principle
- b) price fluctuation of debt security
- c) share price movements
- d) interest volatility

(lv) In which kind of debt fund is the investment portfolio closely aligned to the maturity of the scheme

- a) Gilt fund
- b) diversifiable debt fund
- c) fixed maturity plan
- d) all of these

(lvi) Which types of fund is likely to have lowest management fees

- a) Index fund
- b) Bond fund
- c) Equity growth fund
- d) Equity income fund

(lvii) Shares of close end fund often sell at

- a) NAV plus load fee
- b) at a premium to the NAV
- c) At a discount to NAV
- d) Exactly at the NAV

(lviii) A _____ represents an ownership share in a corporation.

- a) underpriced or overpriced stocks
- b) preferred stock
- c) common stock
- d) Both preferred stock and common stock

(lix) Commercial banks are _____

- a) ending institutions
- b) borrowing institutions

c) commercial intermediaries

d) financial intermediaries

(lx) Investors can purchase new issues of securities in the _____ market.

a) secondary

b) Primary

c) New

d) IPO

(lxi) Firms that specialize in helping companies raise capital by selling securities are called...

a) industrial banks

b) commercial banks

c) investment banks

d) None of these

(lxii) . _____ are financial assets.

a) Options

b) Factories

c) Commercial properties

d) All of these are financial assets

(lxiii) .A dollar denominated deposit at a London bank is called _____.

a) eurodollars

b) LIBOR

c) fed funds

d) d. banker's acceptance

(lxiv) . _____ computes over 50 country indexes

a) Dow Jones

b) The Federal Reserve

c) NASDAQ

d) MSCI

(lxv) A _____ gives its holder the right to buy an asset for a specified exercise price on or before a specified expiration date.

a) call option

b) futures contract

c) put option

d) None of these

(lxvi) Which of the following is true regarding a firm's securities?

a) Common dividends are paid before

b) Preferred stockholders have voting rights

preferred dividends.

c) Preferred dividends are usually cumulative.

d) Preferred dividends are contractual obligations.

(lxvii) The cost of buying and selling a stock include _____

a) broker's commissions

b) dealer's bid-asked spread

c) price concessions investors may be forced to make

d) all of these

(lxviii) Bond duration is a time to recover

a) Coupon money

b) Maturity amount

c) Both coupon money and maturity amount

d) Total present value of coupon money and maturity payment

(lxix) GST is a consumption of goods and service tax based on

a) Development

b) Dividend

c) Destiny

d) Destination

(lxx) What does financial leverage measured?

a) No change with EBIT and EPS

b) The sensibility of EBIT with % change with respect to output

c) The sensibility of EPS with % change in the EBIT level

d) % variation in the level of production