**Presidency University**

**Bengaluru**



 **School of Management**

**Make-up End-Term Examination - July 2024**

**Semester**: I **Date**: 08 July 2024

**Course Code**: MBA3037 **Time**: 9:30am – 12:30Pm

**Course Name**: Personal Wealth Management **Max Marks**: 100

**Department:** SOM  **Weightage**: 50%

**Instructions:**

1. *Read al questions careful and answer accordingly.*
2. *Questionpaperconsistsof3parts.*
3. *Scientific and non-programmable calculator are permitted.*
4. *Do not write any information on the question paper other than Roll Number.*

 **PART A**

**Answer any 10 Questions. Each question carries 3 marks. (Knowledge) (10Qx 3M= 30)**

1. Distinguish between Wealth management and Money management**.**
2. Briefly explain on wealth management investment process.
3. Tax Avoidance and tax evasion both reduces tax burden. Discuss in this context differences between tax avoidance and tax evasion with examples.
4. The primary concept of tax planning is to save money and mitigate one's tax burden. List out in this context the concept of tax planning by giving at least three examples.
5. What is confirmation bias in investment?
6. The value of beta of a portfolio is one. What does it Signifies?
7. Explain the various types of risks in the insurance risk management.
8. As part of wealth management, you have wealth transfer goals. Explain any three wealth transfer goals.
9. Wealth management Investment policy has some constraints. Point out four constraints that you encounter usually while managing investment policy.

10.State two advantages and disadvantages of Debt Fund.

**11.** Define preference Share. Give three features of preference Share.

**12.** Define Perpetuity. Mention the formula to calculate the present value of Perpetuity.

**PART B**

**Answer any 4 Questions. Each question carries 10 marks. (Application) (4Qx 10M= 40)**

**13.** Mr. Laxman gives you following information on 31st March 2023 regarding his income, expenditure, Assets and Liabilities. As a Financial Planner, you are required to compute for him the following ratios and interpret his financial position:

1. Savings to income ratio
2. Income coverage ratio
3. Solvency ratio
4. Liquidity ratio

**14**. Mrs Choksy has a monthly net Salary Income of Rs 60,000. He also owns a flat which is let out for rent of Rs 30,000 pm during the whole of 2023-24. He pays a Municipal Tax of Rs 8,000 out of total due of Rs. 12000 and spent Rs 35000 on repairs for the year on the flat. He had taken a Housing Loan to purchase the Flat and the Interest for the year is Rs 2,00,000 and principal repaid is Rs 1,20,000. He also has a PF contribution of Rs 40,000. His employer has deducted a TDS of Rs 60,000. Compute the Taxable Income and Tax Payable by Mrs Choksy for the previous Year 2023-24 assuming he has opted old tax regime.

**15**. A) State what is “HOLDING PERIOD” Management? Explain the concept with examples.

B). Sanjay has RS 10lakh portfolio. During the year up to February end 2023., he has capital gain of Rs 1.00 lakh. Currently, his portfolio has a mark to market unrecognized loss of 60,000/-.sanjay can sell these securities and replace them with new securities during March,2024. The Long Term tax rate is 20%.

a) Without making any further transaction, how much Tax sanjay will pay?

b) How much tax he willpay if he sells the loss making security?

c) How much Tax he will save , If he sells the loss making security?

**16**. Personal financial budget is one of the most effective instruments in lining up income, spending and saving. However, we should be very clear about our budget goals. Describe in this circumstances what steps to be taken for setting the budget goals if you have started your first Job recently.

**17.**. Mr. Rahit has newly joined a job after completing his masters degree at a monthly salary of Rs. 50,000 per month. He has opened in savings bank account in the State Bank of India. Eventhough, he has heard about fixed and recurring deposit account but he knows very little about mutual funds and shares. He is very anxious about savings and investment so that he may generate some wealth in future. You are required to suggest Mr. Rachit on the following grounds:

1. The steps he should take for proper investment planning.
2. Classification of investments based on risk and return
3. Investment fundamentals he should adopt through out his life

**18.** Mr. Jagan is working in a private company at a monthly salary of Rs. 20,000 per month. His salary is expected to increase by 10% per month with effect from February. He has purchased shares of Sigma limited from where he is expecting to get a dividend of Rs. 10,000 in the month of January. His monthly expenses on rent is Rs. 5,000 and Rs. 4,000 on food. However, these expenses are expected to increase by 5% per month from February. Given his savings balance on 1st January amounting to Rs. 8,000, prepare his personal budget for January, February and March.

 **PART-C**

**Answer the following Questions. (Analysis) (2Qx 15M= 30)**

 **19.** Mr. Gowda is a salaried employee. His monthly take home salary is Rupees 60,000 per month. He is also expecting to get a dividend of Rupees 10,000 in the month of March 2022. His monthly expenses include food expenses of Rupees 10,000, Rent of Rupees 8,000 and children education expenses of Rupees 6,000. Apart from above he is planning to travel to Dubai in the month of March 2022 in which he expects to spend Rupees 60,000. Assuming his saving bank balance on 31st December 2021 stood at Rupees 40,000, you are required to prepare his monthly budget for January, February and March 2022. Also compute the requirement of borrowings in any month, if any.

**20.** Mr. Karan is evaluating his financial position on 1st April 2022. He found that he has assets worth Rs. 60 lakhs and liabilities worth Rs. 20 lakhs. Out of assets, he also owns one house having market value of Rs. 40 lakhs and rest 20 lakhs are other assets. He is working at a monthly salary of Rs. 40,000. His monthly living expenses are Rs. 12,000. He has taken a term insurance policy for which he is paying a quarterly premium of Rs. 12,000. Further during the year he is planning to travel Delhi for which expenses are expected to be Rs. 30,000. He will also get interest amounting to Rs. 6,000 for the year from his savings bank account. At year end 31st March 2023, he is expecting an increase in the value of his house by Rs. 10 lakhs. However, value of liabilities remain the same. As a financial planner you are required to:

a) Prepare his opening net-worth statement as on 1st April 2022

b) Prepare his income and expenditure account for the year ended 31st March 2023

c) Prepare his closing net-worth statement as on 31st March 2023