

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER- IV EXAMINATION – WINTER 2020

Subject Code:4549284

Date:01/01/2021

Subject Name:Functional Elective_Financial Planning and Taxation (FPT)

Time:02:00 PM TO 04.00 PM

Total Marks: 47

Instructions:

1. Attempt any THREE questions from Q1 to Q6.
2. Q7 is compulsory.
3. Make suitable assumptions wherever necessary.
4. Figures to the right indicate full marks.

Q.No.		Marks
Q.1	Explain the following :	06
(a)	(a) Systematic Investment Plan (SIP) (b) Tax Liability (c) Career Advancement	
(b)	(a) Retirement planning (b) Mutual Funds (c) List down the reasons for making investment in real estate.	06
Q.2	(a) Define Personal financial planning (PFP) and analyze the process for making personal financial decisions.	06
	(b) Alpesh is 31 years old and wants to invest some of his excess funds in capital market. If he is a risk taker, which short term techniques are available for speculation purpose?	06
Q.3	(a) Explain the risk and return framework for investment objectives.	06
	(b) Suppose you are a financial advisor in the investment firm, which factors would be taken by you for the choice of investments.	06
Q.4	(a) Explain various investment schemes for retirement planning.	06
	(b) Mitesh is pursuing Post Graduate diploma in business management course from a management institute. Define the stages of career planning and advancement for him as being a fresher in job market.	06
Q.5	(a) Explain residential status of a person.	06
	(b) Give examples of some incomes which are exempted from tax.	06
Q.6	(a) What are the various investment avenues available for tax deduction under Section 80C?	06

- (b) The structure of form 16 is important for which type of occupation of an individual? Explain its importance and use.

Q.7

CASE STUDY

Rahul is single and stays with his parents in his father's house in Delhi. He has an elder brother who works abroad. Rahul remembers that at an early age he got a first-hand experience on savings when his parents encouraged both the brothers to open a children's bank account which was being operated from the school premises. Both brothers started saving Rs. 5 per month and this money was utilised in the next academic year to purchase some books, stationery, etc. His father used to work in an engineering firm while his mother was a teacher. When he was in the first standard, his father's company faced lockout and for nearly 2 years the family survived on his mother's income. His father got an opportunity to work in the gulf later and for some time the family's finances were on track.

Again, tragedy struck when his mother had to give up her job due to health reasons. After working for a couple of years abroad, his father's firm closed down and he had to come back. His mother started taking tuitions at home to make ends meet. Since the convent school where the siblings were studying were aided by the government, they did not have to pay any fees for their secondary school education. Rahul's mother ensured that every expense was monitored and followed a strict budget. Both the brothers understood the family's grim financial situation and consciously suppressed their desires for story books/ toys etc. The difficult financial situation made the brothers realise that good education and qualification was the single most path to getting a good job and ensure financial stability. With the generous help from charitable donors Rahul and his brother got interest free loans to complete their higher education. Rahul completed his BE in Automobile engineering while his brother did is Hotel management.

Even during his first few years of college, Rahul had started earning by giving tuitions. Part of this money was deposited in his bank and rest was given to his mother to manage the family's expenses. Rahul has had a very good rise in his career in the last 9 years since he has been working and presently he is in a very good position with a well-known General insurance company. Since he has been only exposed to traditional investment options like Insurance, Post office and FD schemes, Rahul started his investment journey from 2009 with these products. To save tax he purchased traditional insurance policies and invested the rest in Fixed deposits. Even then he has been able to create a good investment basket because he has kept his expenses to the minimum and tried to save as much as he could. Last year he booked an under construction flat worth Rs. 62 lakhs for which he paid the down-payment of 10% from his own savings. He is expected to get possession of the flat by December 2020. So far, he has taken a loan of Rs. 18.50 lakhs and he intends to try and

pay as much as he can from his own sources in the next 2 years before possession. Rahul made an early start but due to lack of knowledge and with a view of saving tax, he invested in traditional insurance policies, allocating a good amount of premium.

Monthly income	90,000
Total Monthly expenses:	57478
Household	10000
Home loan EMI	19500
Personal expenses	10000
Insurance premium	17978

Assets	Rs.	Liabilities	Rs
Savings Account	105000	Home loan	1850000
Fixed deposits	800000		
EPF	532000		
Insurance Cash value	454758		
Equity Mutual funds	1070000		
Shares	476000		
Under Construction property	2500000		
Total	5937758		1850000
Net worth	4087758		

ASSET ALLOCATION		
Allocation	Value	%
Equity	1546000	26.04
Debt	1891758	31.86
Property	2500000	42.1
	5937758	100

Financial goals: His financial goals are marriage after a year, buying a car in second year, child education planning and retirement planning.

(a) Comment on the financial goals and what alternatives you would recommend to achieve the financial goals. **5.5**

(b) Comment on the emergency funds for Mr. Rahul. **5.5**

OR

Q.7 (a) Mr. Rahul should change his asset allocation depending upon his financial goals? Why? **5.5**

(b) Prepare a financial plan for Mr. Rahul. **5.5**
