Question 1

Section C (4 Mark)

Read the senario and answer to the question.

If Mr. Mehta is paying interest rate 12%p.a on his housing loan and 10% p.a. on car loans, in how many months would he pay off his housing loan and car loan?

Options:

A- House loan-321 month, Car Loan-129 months

B- House loan-540 month, Car Loan-318 months

C- House loan-342 month, Car Loan-249 months

D- House loan-432 month, Car Loan-429 months

Answer:

B

Question 2

Section C (4 Mark)

Read the senario and answer to the question.

Harish wants a monthly investment to achieve the goal of his children's higher education. For accumulation of fund you recommend Harish to invest in an investment vehicle which invests in the ratio of 20:80 in Debt and Equity. If Harish starts investing from 1st Dec 2010, what approximate amount should he set aside every month for each child to achieve the goal? Harish maintains separate investment accounts for Chirag and Vishesh and invests till they individually turn 21 years of age.

Options:

A- Rs. 8,400 and Rs. 3,760 respectively

B- Rs. 8,100 and Rs. 3,640 respectively

C- Rs. 9,540 and Rs. 4,240 respectively

D- Rs. 7,850 and Rs. 3,950 respectively

Answer:

A

Question 3

Section C (4 Mark)

Read the senario and answer to the question.

Mr. Saxena is planning to visit USA for the very first time in his carrier to promote software of his company and is expected to stay long. He wants to plan his journey in such a manner so that he can get maximum tax benefits in the FY 2007--08 from the residential status point of view. What is the latest date when he can afford to leave India & earn status of an NRI to get maximum tax benefits in assessment year 2008--09?

Options:

A- On 12-10-2007

B- On 28-09-2007

C- On 01-10-2007

D- On 22-09-2007

Question 4

Question Type: MultipleChoice

Section C (4 Mark)

Read the senario and answer to the question.

If Mrs. Deepika, a conservative investor, has Rs. 50, lakhs today that she could invest for the next three months in a three month bank CD or in a stock .The bank CD offers a guaranteed return 6 % over the three-month period. Alternatively she thinks the price of the stock will rise by 5% over the next months. She is confused in taking the decision. Guide her in trade off between return and risk so that she makes a decision in choosing investments?

Options:

A- As the return on stock is higher in next 3 months she should decide to invest in stock.

B- The future price of the stock is uncertain, her return from investing in this stock is also uncertain. The return could be less than 5% and might be even negative. But in Bank CD return is guaranteed. So as a conservative investor she should decide of invest in the Bank CD.

C- For making a balance trade off between return and risk she should invest 50% in each investment

D- Option B and C

Answer:

B

Question 5

Question Type: **MultipleChoice**

Section C (4 Mark)

Read the senario and answer to the question.

Portfolio A had a return of 12% in the previous year, while the market had an average return of 10%. The standard deviation of the portfolio was calculated to be 20%, while the standard deviation of the market was 15% over the same time period. If the correlation between the portfolio and the market is 0.8, what is the Beta of the portfolio A?

Options:

A- 0.94

B- 1.07

C- 1.31

D- 1.91

Answer:

B

Question 6

Question Type: MultipleChoice

Section C (4 Mark)

Read the senario and answer to the question.

Mr. Adhikari bought agricultural land in Patna in 94-95 for 1.75 lakh. That land was vacant for last so many years. But due to establishing a "Commercial Processing Zone" the Bihar Government has issued a notice for compulsorily acquirement on 12/08/2003. In 2006 government has fixed compensation for Rs. 6.50 lakhs and acquired it on 09/01/2006. Rs. 2 lakh was received by Mr. Adhikari on 07/03/2006. Mr. Adhikari and others were not satisfied with the compensation and file a suit in the court.

Balance compensation paid by Bihar Government on 08/10/2008. The compensation is enhanced by another 1.50 lakhs by the Bihar Government which paid by the Government on 11/12/2008.Compute Capital Gain tax in the hands of Mr. Adhikari for the assessment year 2009--10.

Options:

A- The compensation amount is taxable @ 10 % with indexation benefit and enhanced compensation is exempt as per section 10(37)

B- The compensation amount is taxable @ 20 % without indexation benefit and enhanced compensation is exempt as per section 10(37).

C- The compensation amount along with enhanced compensation of Rs. 1.50 lakhs shall be exempt as per section 10(37) because the agricultural land was acquired by the Government and as compensation is received after 31/03/2004.

D- Compensation is exempted because the agricultural land was acquired by the Bihar Government

Answer:

C

Question 7

Question Type: MultipleChoice

Section C (4 Mark)

Read the senario and answer to the question.

During identification of new business opportunities, one of Harish's friends Shekhar has offered him a business proposal. In this proposal a partnership firm consisting of two partners, Harish and Shekhar, shall take the franchise of a company which is a reputed brand in the field of pathology lab in which their investment and profit sharing ratio shall be equal.

Franchise rights shall be valid for 5 years and the project requires an upfront investment of Rs. 25 lakh for required infrastructure. The franchisee agreement has an option that the company can take over the franchisee after 5 years by charging depreciation @15% p.a. on straight line basis.

The projected profits from the firm are as follows:

Year 1	3.50 lakh
Year 2	4.74 lakh
Year 3	5.17 lakh
Year 4	6.35 lakh
Year 5	7.10 lakh

Harish wants to know what IRR he will earn on his investment from this project ? (Please ignore taxes and assuming no additional investment is made during this five year period)

Options:

A- 8.20%

B- 5.17%

C- 12.27%

D- 7.82%

Answer:

A

Question 8

Section C (4 Mark)

Read the senario and answer to the question.

Saxena is considering an attractive investment proposal in which he is being offered two different cash flow choices at the same initial investment of Rs. 2,00,000. According to you which one should he opt for assuming Risk Free Interest Rate is the required rate of return?

Year (End)	Plan A	Plan B
1	10,000	15,000
2	10,000	19,000
3	10,000	23,000
4	10,000	27,000
5	15,000	31,000
6	18,000	35,000
7	40,000	39,000
8	45,000	43,000
9	50,000	47,000
10	1,50,000	51,000

Options:

A- Plan A should be opted since it has a higher Future Value.

B- Plan B should be opted since it has a lower Present Value.

C- Plan B should be opted since it has a higher Present Value.

D- Plan B should be opted since it has a lower Future Value.

Question 9

Question Type: MultipleChoice

Section C (4 Mark)

Read the senario and answer to the question.

Approximately how much amount she must sacrifice to provide the income stream for her mother?

Options:

A- Rs. 19,56,380

B- Rs. 20,62,270

C- Rs. 22,68,460

D- Rs. 24,24,850

Answer:

Question 10

Question Type: **MultipleChoice**

Section C (4 Mark)

Read the senario and answer to the question.

Mr. Mehta buys machinery for Rs. 80000 which is to be replaced after a period of two years. The replacement cost at that time will be Rs. 90000. As a Chartered Wealth Manager advice Mr. Mehta now what he should do after two year for the replacement of the said machinery?

Options:

A- He should buy the new machinery first and sells the old machine in the next financial year

B- He should sell new machinery first and buy the old machine in the next financial year

C- He should buy and sell the machine in the same financial year

D- He should buy and sell the machine in the financial year 2011

Question 11

Question Type: **MultipleChoice**

Section C (4 Mark)

Read the senario and answer to the question.

One commonly used method of calculating the total retirement fund necessary on the first day of retirement is to use the present value of an annuity due. The Pandeys' anticipate that their annual retirement income will need to increase each year at the rate of inflation. Based on the following assumption, calculate the total amount needed to be in place when Shanker and Parvati retire (Round to the nearest Rs. 1000)

First year annual income	Rs. 90000
Social security annual income, assumed to increase at the rate of inflation	Rs. 45000
Annual after-tax rate of return on invested assets	7%
Joint life expectancy during retirement	25 Years

Options:

A- Rs. 878000

B- Rs. 887000

C- Rs. 896000

D- Rs. 1792000

Answer:

C