SL No of QP : 6241
Unique Paper Code : 2923072008
Name of the Paper : Wealth Management
Name of the Course : Bachelor of Business Administration (Financial Investment Analysis) - BBA(FIA)
Semester : VI
Duration : 3 Hours
Maximum Marks : 90 Marks
Basic Calculator is allowed.
Section A is compulsory.
Section B contains 7 questions. Attempt any 6 questions.
Attempt parts of a question together.

SECTION A

Q.1. Solve the following case study related to retirement planning for Varun and Vaishali.

Varun and Vaishali plan to retire 30 years from now. They currently spend ₹14,00,000 annually. They expect to need 65% of their current expenses annually during retirement. Inflation is expected to average 4% per annum. They want to maintain their lifestyle post-retirement and create a perpetual income stream for their dependents and future generations. Vaishali will receive a fixed pension of ₹3,00,000 per year (in nominal terms) after retirement. Varun does not have a pension, but if Vaishali passes away before him, Varun will continue receiving the same pension amount. They want to plan for the shortfall between their expected expenses and income in perpetuity, starting from retirement. The expected rate of return after retirement is 8% per annum, and during the accumulation (pre-retirement) phase, it is 10% per annum. Assume no increase in expenses due to any factor during their retirement phase.

Use the relevant financial factors from the options provided below:

- FVIF (4%, 30 years) = 3.243
- PVIF (4%, 30 years) = 0.308
- FVIFA (10%, 30 years) = 164.494
- FVIFA (8%, 30 years) = 113.283
- PVIFA (10%, 30 years) = 9.427
- PVIFA (8%, 30 years) = 11.258

a) Solve the following questions: (10 Marks)

i) Calculate the expected annual expenses at the time of retirement, accounting for inflation.
ii) Determine the expected annual shortfall in income post-retirement.
iii) Calculate the retirement corpus required to fund the shortfall as a perpetuity.
iv) Estimate the annual savings required over the next 30 years to accumulate this corpus.

b) Varun and Vaishali want to ensure that their wealth is passed on smoothly and as per their wishes after their lifetime. They are seeking guidance on how to write a will and are particularly concerned about whether it can be changed or revoked later. In this context, briefly discuss the common features of a will and explain whether it can be modified or cancelled in the future. (10 Marks)

Q.2. You are analyzing the performance of Alpha Ltd. based on the following information: The stock was purchased at ₹200 and is currently trading at ₹260.

- The company declared a dividend of ₹10 per share during the year.

- The company's Profit After Tax (PAT) is ₹13,00,000.
- The company has issued 1,00,000 equity shares.
- The company has issued preference shares worth ₹1,00,000, with a 10% dividend rate.
- The total equity (shareholders' funds) is ₹1,000,0000.

Based on the above data, calculate the following: (10 Marks)

a) Rate of return on the stock.
b) Price-to-Earnings (P/E) Ratio.
c) Dividend Yield.
d) Return on Equity (ROE)

Section B

Q.3. "Wealth management is not just about managing money, but about strategically planning to meet life goals." Critically examine this statement in the context of Indian financial planning, highlighting the key components of wealth management. (10 Marks)

Q.4. Ravina, a 30-year-old professional, is planning to invest ₹10,00,000 for long-term wealth accumulation and financial security. She is considering two investment options: stocks and bonds. Ravina has a moderate risk tolerance and aims to achieve a balance between capital appreciation and income stability. She is also concerned about inflation eroding the value of her savings and is planning for both her retirement and her children's education. Critically evaluate the advantages and disadvantages of investing in stocks versus bonds for Ravina, considering her financial goals and risk appetite. What would be your recommendation for Ravina's investment strategy, and how can she balance these two asset classes in her portfolio?
(10 Marks)

Q.5. Discuss the complexities involved in making health insurance decisions. How should an individual assess their healthcare cost risks, available coverage options, and policy features before selecting an appropriate health insurance plan? (10 marks)

Q.6. Mr. Sharma, a 50-year-old businessman, is planning to diversify his investments and is considering mutual funds. However, he finds the variety of options confusing. He wants to understand the difference between open-ended and closed-ended mutual funds, as well as load and no-load funds, in simple terms. Additionally, he seeks clarity on the major types of mutual fund schemes equity, debt, and hybrid funds. Explain these concepts clearly and provide suitable guidance to help Mr. Sharma make an informed investment decision. (10 Marks)

Q.7. What is meant by asset allocation? Suppose you begin earning ₹75,000 per month as take-home salary after graduation. How would you allocate this income towards expenses, savings, and investments? Additionally, design an investment portfolio for the initial five years, explaining your rationale behind the allocation. (10 Marks)

Q.8. Compare and critically evaluate term life insurance and whole life insurance policies in the context of personal financial planning. Provide guidance to a middle-income family with two dependents.
(10 marks)

Q.9. Explain the structure of the Indian tax system for individuals and discuss various tax planning strategies with examples. How can these strategies be used to optimize tax liabilities legally without engaging in tax evasion? (10 marks)