Sr. No. of Question Paper:	9864
Unique Paper Code:	2923062007
Name of the paper:	FINANCIAL PLANNING
Name of the Course:	BMS
Semester:	VII
Duration:	3 Hours
Maximum Marks:	90

Instructions for candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any five questions.
3. Attempt all parts of a question together.
4. Show your workings clearly on the answer sheet.
5. Use of simple calculator is allowed.

Q1 (a)

(i) Define personal financial planning and explain why every individual needs it.

(ii) Discuss the major stages in the personal financial planning life cycle, illustrating the typical financial decisions in any two stages.

(b) A 27 year old new employee in a metro city earns ₹70,000 per month, has no dependents, and wants to create an emergency fund, repay an education loan, and save for a foreign vacation in 3 years.

(i) Identify and classify these goals (safety, income, growth / short, medium, long-term) with reasons.

(ii) Prepare a simple monthly budget framework for this person and explain how budgeting supports the overall financial planning process.

Q2(a)

(i) Distinguish between tax planning, tax avoidance and tax evasion with one example each.

(ii) Explain any three common tax planning strategies used by salaried individuals to reduce taxable income while staying within the law.

(b) A resident individual aged 30 has the following income and deductions during a financial year:

- Salary income: ₹9,00,000
- Deduction under a retirement-oriented section: ₹1,50,000
- Health insurance premium paid for self and parents: ₹35,000 (eligible under relevant section)

Ignoring surcharge and cess,

(i) Compute the taxable income under the old regime, clearly showing each step.

(ii) Comment in brief on how early tax planning during the year could improve this person's cash flows and savings behaviour.

Q3(a)

(i) Explain the concept of insurable interest and utmost good faith in life insurance with suitable examples.

(ii) Discuss any three important clauses or features commonly found in life insurance policies that policyholders should read carefully before signing.

(b) A 38-year-old married person with two school-going children earns ₹12,00,000 per year. Household annual living expenses are ₹6,00,000; outstanding home loan is ₹30,00,000; existing life cover is ₹10,00,000.

Using a simple "income replacement plus liabilities" approach, and making any reasonable assumptions where necessary, answer the following:

(i) Estimate, with reasonable assumptions, the life insurance cover required for this person and show the broad steps of calculation.

(ii) Briefly explain how underinsurance can affect the financial security of the family in case of premature death.

Q4 (a)

(i) Explain the terms: sum insured, waiting period, co-payment and exclusions in health insurance.
(ii) Discuss any four key factors an individual should consider while choosing between an individual health policy and a family floater policy.
(b) A 45 years old self-employed person with irregular income is considering buying a comprehensive health insurance plan of ₹10 lakh for the family. Premium is significant compared to current income, but there is no employer cover.
(i) Analyse the pros and cons of relying on health insurance versus self-funding medical expenses through savings, from a risk management perspective.
(ii) Suggest a suitable combination of health cover and emergency fund for such a person, giving reasons.

Q5 (a)

(i) Explain the relationship between risk and return in investments, using the examples of bank deposits, bonds and equity shares.
(ii) Discuss the meaning of diversification and asset allocation, and explain how they help an individual investor manage portfolio risk.
(b) An investor holds the following portfolio for one year:

- Equity Fund units bought for ₹2,00,000; value at year end ₹2,30,000
- Debt Fund units bought for ₹1,50,000; value at year end ₹1,56,000 plus interest/dividend received ₹4,500
- Savings account balance constant at ₹50,000 with interest of ₹1,500

(i) For each of the above investments, calculate the percentage return for the year and the percentage return on the overall portfolio. Show all steps of your calculation.
(ii) Briefly comment on the risk–return trade-off reflected in this portfolio and suggest one change to improve diversification.

Q6 Write short notes on **any three**

1. Principles of indemnity and insurable interest in insurance contracts.
2. Types of life insurance policies and their key features.
3. Types of real estate investment available to individual investors.
4. Role of retirement planning in personal financial planning.
5. Tax-advantaged (tax-saving or tax-deferred) investment avenues suitable for individual investors.