

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER (3) – EXAMINATION – SUMMER 2016

Subject Code: 2830010

Date: 02/05/2016

Subject Name: Financial Planning (FP)

Time: 10.30 AM TO 01.30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

**Q.
No.**

Q.1 Answer the following

6

(a)

1. Creating and implementing a budget includes _____
A. Assess your current situation B. Planning your financial direction
C. Implementing your budget D. All of above
_____ is very important aspect for salaried person to do financial planning.

2.

- A. Income Tax B. Locker System
C. Job Search D. None

You withdraw money with the help of _____

3.

- A. Credit card B. Debit Card
C. ATM Card D. All of given cards

Following is the first step for career planning and advancement process.

- A. Evaluate employment market and identify specific employment opportunity
B. Develop a resume and cover letter

4.

- C. Interview for available position and assess yr interview procedure
D. Assess and research proposal goals, abilities and career field

Following is not a source of finance.

5.

- A. Bank OD B. Bank loan
C. Insurance D. Shroff

If you want to buy a home, which source of fund is most advisable?

6.

- A. Home Loan B. Loan from union
C. Loan from relative D. None

Q.1

(b)

Define the Following

04

1. Tax Liability
2. Bankruptcy
3. Net worth
4. Statement of Purpose

Q.1

(c)

Answer in Short

04

1. List the various Disadvantages of Credit card.
2. List the factor affecting to selection of life insurance plan.

3. What are the five Cs of Credit?
4. What are the various types of Life Insurance?

Q.2	(a)	What are the main components of personal financial planning Process?	07
	(b)	If you are a salaried person and making personal financial planning for your future. What factors will influence to that task?	07
OR			
	(b)	Budget is very effective tool to manage the income and expenses in everybody's life. Discuss some important qualities of Budget.	07
Q.3	(a)	Explain the various types of financial services.	07
	(b)	Prepare an Income statement for person who belong to a middle class. Consider monthly income is Rs. 50,000/- and various expenses to live a normal life.	07
OR			
Q.3	(a)	Discuss various investments avenues in Indian terms.	07
	(b)	If you want to buy Motor Vehicle insurance, what vehicle insurance provisions will be available to you?	07
Q.4	(a)	Discuss various types of Ratios to be considered for investing in stocks.	07
	(b)	If you are a Financial Planner, what type of borrowing options you will suggest to a salaried person?	07
OR			
Q.4	(a)	Discuss the various types of bonds as an investment avenue.	07
	(b)	If you want to invest in real estate sector, then what various advantages and disadvantages you will have for the it?	07
Q.5		Case Study Read the case and answers the questions.	14

A seven year old boy, Dennis, is playing soccer in his driveway. People are loading boxes and furniture into a moving van, and Dennis asks his mom, Diane, why his neighbor and friend, Cathy, is moving. Diane explains to her son that Cathy is moving because her daddy died and her mommy could not afford to live in that house anymore.

The death of Diane's neighbor made her start to think: what would happen if she or her husband, Jim, dies? Jim has a life insurance policy from his work, but that equals only about one year's salary. That's not enough. Diane and Jim realize they need more life insurance and contact an insurance agent to help them determine their insurance needs.

Mark Savalle, an insurance agent from New York Life Insurance Company, explains how to choose an insurance agent and insurance company. He states that an insurance company must be rated "A" or better by standard and poor, Duff and

Phelp, Moody's and Weiss.

Jonathan Pond offers two reasons why it is difficult to get a good idea about how much life insurance you need. However, the need for life insurance is greatest during early years and it decreases during the middle years, when leave the house. In many cases, there is no need for life insurance during retirement years, when income continues even after the death of one of the spouses.

Jim and Diane meet with their insurance agent and determine how much insurance they need if Jim or Diane died. Of course, Jim's \$45000 life insurance from his employer was just not enough.

Questions.

1. What triggered Jim and Diane to start thinking about life insurance?
2. How much life insurance did Jim have from his employer? Is it adequate? Explain your answer.
3. What was the couple's first step once they determined they needed more life insurance?
4. What is Mark Savalle's advice to those looking for life insurance?

OR

Q.5

Case Study Read the case and answers the questions.

14

Meet Martin and Luz Marcotte. Martin is a 38 year-old successful graphic designer and Luz is a 35 year-old counseling psychologist working at a state facility in Kansas. They have a seven year-old daughter Paloma, who is in the first grade, and a two year-old son Joel, who attends the nearby daycare center.

The Marcottes will be facing numerous challenges that will require them to practice sound financial decision making, and, in instances where there is a sufficient time horizon, some prudent financial planning. Luz is currently finishing her doctoral program in Psychology, while maintaining a part-time status at the Habilitation Center where she works. The Marcottes own a home, two cars, have approximately \$10,000 saved up in various savings and investment accounts, and own some assets around the house. They are also invested in their 401ks that they maintain at their respective places of employment.

This couple is facing some financial issues that they have not yet addressed. Although they both have jobs where they make decent salaries, they have not really thought about their children's educational needs. Inflation in the cost of college education is a reality for most parents, which has to be kept in mind when planning for the future. Moreover, Martin's mother is in her late seventies, and has been facing declining health. She will not be able to live by herself for much longer. Luz, who originally hails from Peru, sends money to her family regularly, but her parents are aging and may need more financial assistance in the future.

Lastly, due to the Marcottes's fairly hectic lifestyle, they have not given much thought to their own retirements, or the possibility of how they would handle a layoff from work.

QUESTIONS

1. What are the areas of financial concerns that the Marcottes are currently facing?
2. The Marcottes are making some financial decisions that will help them in the future. In your estimation, what are the sound decisions they've already made?
3. College education is increasing at a rate of 10% per year. If college cost is running at \$22,000 a year today, what will the Marcottes need to have saved up for Paloma in 7 years and for Joel in fifteen years? Assume that the Marcottes are in the 25% tax bracket, and 6.8% for the state taxes. You can assume that the Marcottes earn 6% on their investments. You can use the financial calculator at www.kiplinger.com to find the answer. Find "calculator" on the website and use the "planning" category. Assume that the Marcottes can only save \$100 a month towards each child's educational funding.
4. What is the opportunity cost for the family while Luz is pursuing her Doctorate in Psychology?
