P. P. SAVANI UNIVERSITY

Fifth Semester of B.Com Examination

November - 2021

SMBC3234 - Wealth Management - 5

24.11.2021, Wednesday | Time: 09:00 a.m. to 11:30 a.m. | Maximum Marks: 60

Instructions:

1. The question paper comprises of two sections.
2. Make suitable assumptions and draw neat figures wherever required.
3. Use of scientific calculator is allowed.
4. Steps are mandatory for all numerical questions.

SECTION – I

Q - 1 **MCQs (Any Five)** [05]

(i) If the NPV and the IRR suggest two different investment projects, we should choose the project with a higher positive NPV.
a. True b. False

(ii) The formula for calculating Risk Premium is
a. Market Risk - Market return
b. Market Return - Risk-Free Return
c. Market Return - Bank FD Return
d. Market Return - Standard Deviation

(iii) If Domestic currency appreciates against foreign currency,
a. The value of foreign assets will do down
b. The value of domestic assets will go up
c. Both options are correct
d. Both options are wrong

(iv) In which mandate, the wealth manager has sole authority to buy and sell assets and execute transactions for the benefit of the client, in addition to providing investment advice.
a. Execution only Mandate.
b. Discretionary Mandate
c. Advisory only Mandate.
d. All of the Above.

(v) Which is not the function of Wealth Manager?
a. Interview clients to determine their current income and expenses.
b. Analyze investment options.
c. Reduce tax by hiding income.
d. Retirement planning.

(vi) Risk Capacity is
a. Ability to take risks
b. Willingness to take risks
c. Need to take risks
d. All of the above

(vii) The formula for the Real Rate of return is
a. (1+r)*(1+i) -1 x 100
b. (1+r)/(1+i) -1 x 100
c. (1+r)*(1+i)^1 x 100
d. (1+r)*(1+i)*1 x 100

Q - 2 (a) Pratham wants to Invest a lump sum amount of Rs. 5,50,000 and start a SIP of Rs 10000 **[05]**

in an equity scheme for a period of 25 years. If he is expecting a return of 15% monthly compounding then calculate the investment value after 20 years. Calculate using begin mode.

a. Rs. 5,56,90,003
b. Rs. 5,32,07,356
c. Rs. 4,37,24,948
d. Rs. 4,40,44,309

Q - 2 (b) An investor of age 25, is planning to invest Rs. 30000 today, Rs. 50000 at the age of 27, Rs. 100000 at the age of 30 and Rs. 25000 at the age of 32. What will be the value of his investments at the age of 40? He is expecting a return of 15%. Assume, Investment is made at the beginning of every month. [05]

a. Rs. 10,32,000
b. Rs. 10,42,000
c. Rs. 10,32,782
d. Rs. 10,42,782

OR

Q - 2 (a) Which Project is more feasible as per the profitability Index. The Discount Rate is 10% for Project A and 12% for Project B. [05]

Years	Project A	Project B
Initial investment(0)	(Rs. 1,00,000)	(Rs. 2,00,000)
1	Rs. 20,000	Rs. 60,000
2	Rs, 40,000	Rs, 40,000
3	Rs, 20,000	Rs, 60,000
4	Rs, 30,000	Rs, 60,000
5	Rs, 40,000	Rs, 40,000

a. Project A is better
b. Project B is better
c. Both Projects are equal

Q - 2 (b) Calculate the Standard deviation of the below securities. [05]

Year/Security	A	B
1	15%	12%
2	10%	15%
3	-5%	20%
4	-10%	15%
5	50%	-5%

a. 0.226 & 0.096 b. 0.236 & 0.096 c. 0.236 & 0.960 d. 0.336 & 0.960

Q - 3 (a) Calculate alpha [05]

Details	Security A	Security B
Market Return	15.00%	15.00%
Risk-Free Return	8.00%	8.00%
Beta	1.2	1.5
SD	2.00%	4.00%
Actual Return	20.00%	20.00%

- 3 (b) Write in brief about different types of Loan Amortization. [05]

OR

- 3 (a) Classify Annuity on the basis of purchasing Annuity. [05]

- 3 (b) Palak wants to know, if she retires today, how much money she will require for the next 30 years if her current yearly expenses are Rs. 5,00,000, expected rate of return on investment is 13%, inflation is 6%. Her current age is 30 years. Begin Mode [05]

a. Rs. 75,44,079
b. Rs. 68,86,279
c. Rs. 69,86,279
d. Rs. 50,13,573

- 4 **Attempt any one.** [05]

i) Calculate Treynor ratio if the market rate is 15%, the risk-free rate is 8%, the standard deviation is 3.5% and Beta is 2.

a. 2
b. 0.35
c. 0.2
d. 0.035

ii) Calculate Sharpe ratio if the market rate is 16%, the risk-free rate is 8%, the standard deviation is 2% and Beta is 2.

a. 4
b. 8
c. 6
d. 2

SECTION – II

- 1 **MCQs (Any Five)** [05]

i) To calculate Loan EMI, which function you will use in excel.

a. PMT
b. PV
c. FV
d. Rate

ii) Standard deviation measures

a. Total Risk
b. Market Risk
c. Systematic Risk
d. Unsystematic Risk

iii) Liquidity Risk is higher in

a. Equity
b. Bonds

c. FD
d. Real estate

(iv) Which statement is false In Relation to interest rates and bond prices.
a. The Bond prices are inversely related to the interest rates.
b. Bond with a longer maturity will be more sensitive to interest rates.
c. A Bond with shorter maturity will be more sensitive to interest rates.

(v) Which Risk cannot be diversified?
a. Systematic Risk
b. Unsystematic Risk
c. Both Options
d. None of the above

(vi) Which "mean" does not take into account the impact of inflation.
a. Arithmetic Mean
b. Geometric Mean
c. Both A & B

(vii) Right Sequence of Wealth management Plan.
i. Identify goals and objectives.
ii. Analyze financial Issues and Opportunities.
iii. Implementation of the wealth management plan.
Iv. Monitor and Review
V. Identify and clarify the current situations.
Vi. Developing the wealth management plan
a. v, i, ii, vi, iii, iv
b. I, ii, iii, vi, iv
c. ii, i, iv, iii, vi
d. v, i, iii, ii, vi, iv

Q - 2 (a) Calculate IRR [05]

Year	Amount
0	-100000
1	30000
2	35000
3	40000
4	25000
5	5000

Q - 2 (b) Write in brief about Risk Management Tools. [05]

OR

Q - 2 (a) Calculate NPV. Discount rate is 8% [05]

Year	Amount
0	-100000
1	25000
2	40000
3	30000
4	30000

5	10000

Q - 2 (b) Six steps of Wealth Planning Process. [05]

Q - 3 (a) Calculate the real rate of return if the interest rate is 9%, the tax rate is 30% and inflation is 5%. [05]

a. 2.7%
b. 6.3%
c. 1.3%
d. 1.24%

Q - 3 (b) An investor is expecting the following dividends from a stock, the current price is Rs 200 and he expects to sell the stock at Rs 300 after 5 years. Do you think he should invest in his stock if the discount rate is 10%? [05]

Year	Dividend Amount
1	₹10.00
2	₹15.00
3	₹15.00
4	₹20.00
5	₹300.00

OR

Q - 3 (a) Calculate Sortino ratio if the market rate is 16%, the risk-free rate is 8%, the standard deviation is 2%, negative standard deviation is 1.5% and Beta is 2. [05]

a. 5
b. 5.33
c. 6
d. 6.33

Q - 3 (b) Kishan has bought an insurance policy with a sum assured of Rs 50 lakhs. He wants to know in case of his absence how long the fund will last. His household expenses are 600000 PA. Assume the fund will be invested in a fixed deposit @ 8% return. Begin Mode [05]

a. 11.47 Years
b. 11 Years
c. 12 Years
d. 12.47 Years

Q - 4 **Attempt any one.** [05]

(i) Calculate the present value of Rs 5,00,000 expected to receive after 20 years. The discount rate is 8%.

a. Rs. 5,00,000
b. Rs. 1,07,274
c. Rs. 1,70,274
d. Rs. 4,63,193

(ii) Shruti invested Rs. 5,00,000 in an insurance policy for a period of 20 years. On maturity he got Rs. 20,00,000. Calculate the CAGR on his investment.

a. 7%
b. 7.18%
c. 8%
d. 8.18%

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