

P P SAVANI UNIVERSITY

Fifth Semester of B.Com Examination

November 2022

SMBC3234 Wealth Management 5

22.11.2022, Tuesday

Time: 09:00 a.m. To 11:30 a.m.

Maximum Marks: 60

Instructions:

1. The question paper comprises of two sections.
2. Section I and II must be attempted in separate answer sheets.
3. Make suitable assumptions and draw neat figures wherever required.
4. Use of scientific calculator is allowed.

SECTION - I

- Q - 1** Categorize the following Investment avenues as per Risk class, Liquidity and Horizon period (Holding Period) of Investment. (Any Five) [05] CO BTL
- | | | | |
|-------|---------------------------|---|---|
| (i) | Treasury Bills | 3 | 3 |
| (ii) | Real Estate | 3 | 3 |
| (iii) | Equity Shares | 3 | 3 |
| (iv) | Mutual Fund | 3 | 3 |
| (v) | Bank Deposits | 3 | 3 |
| (vi) | Crypto currency | 3 | 3 |
| (vii) | NFT (Non-fungible tokens) | 3 | 3 |
- Q - 2 (a)** Stocks always perform better than Bonds in the long run – Do you agree with this statement of Warren Buffet, Elaborate. [05] 1 4
- Q - 2 (b)** Mr. Forget put ₹ 1,00,000 in bank deposit which was paying interest of 10 p.a. and forgot. After 5 years he remembers and approaches bank. How much value Mr. Forget will get for that Fixed Deposit. [05] 1 5

OR

- Q - 2 (a)** List out any five investment principles of Peter Lynch. [05] 1 2
- Q - 2 (b)** Big Investors, small Investors – All are same - Discuss. [05] 1 2
- Q - 3** No communication Ltd is contemplating either of two mutually exclusive projects having 5 years estimated life. Salvage Value of Project A and B is ₹ 5,000 and ₹ 15,000 respectively. Cost of capital is 11%. The following details are available :

Particulars	Project - A (Rs)	Project - B (Rs)
Initial Investment	1,05,000	1,65,000
Profit after taxes : Year 1	10,000	15,000
Year 2	15,000	20,000
Year 3	20,000	25,000
Year 4	25,000	30,000
Year 5	35,000	40,000

Select the best project under the following methods:

1. Discounted Pay - back Period
2. Net Present value
3. Profitability Index

OR

- Q - 3** What is Capital Budgeting ? Explain the procedure of Capital Budgeting [10] 3 2
- Q - 4** Attempt any one. [05]
- (i)** The cash flow before depreciation & tax for the project costing ₹ 1,00,000 and useful life of 5 years is as follows: 3 5

Year	Cash flow
1	20,000
2	22,000
3	28,000
4	30,000
5	50,000

From the above data, calculate Cash flow after taxes assuming company adopts straight line method of depreciation and tax rate is 50%.

- (ii) You need to prepare the Loan repayment schedule (on a yearly basis) from the following details : 3 3
- Loan Amount : ₹ 10,000,000
 Loan Tenure : 5 years
 EMI : ₹ 22,500
 Interest rate : 10% p.a.

SECTION - II

- Q - 1 Answer the following questions. (Any five) [05]
- (i) Diversification reduces risk - True or False. 1 3
- (ii) What does standard deviation indicate ? 1 3
- (iii) Why Gold is considered as safe heaven asset of Investment ? 1 3
- (iv) Standard Deviation of Bitcoin will be higher than equity index - why ? 1 3
- (v) What comes first - Insurance or Investment ? 1 3
- (vi) What is Hedging ? 1 3
- (vii) Even Fixed deposit contains risk - Explain. 1 3
- Q - 2 During the last five years, the return of a stock were as follows : [10] 3 4

Year	Return (%)
1	0.07
2	0.03
3	-0.09
4	0.06
5	0.1

Compute the following :

1. Cumulative Wealth Index
2. Arithmetic Mean
3. Variance
4. Standard Deviation

OR

- Q - 2 During last 7 years, Following prices were observed of a stock : [10] 3 4

Year	Share Price (₹)
1	350
2	330
3	360
4	380
5	400
6	370
7	390

Compute the following :

1. Return of all the years .
2. Average return

3. Standard Deviation

- Q - 3 (a)** Vinod is 40 years old and earns Rs.2 lakhs a month. He is able to save about Rs.40000 a month after meeting all the routine expenses of his family, paying the loans for his house, car and other needs. His investments include those for tax savings, bank deposits, bonds and some mutual funds. He pays premiums on life insurance for himself and his wife. Vinod is the sole earning member of his family and he believes he takes care of his finances adequately to take care of his current and future needs. [05] 2 5
How would financial planning help him?
- Q - 3 (b)** Explain Debt Counselling. [05] 2 2
OR
- Q - 3 (a)** Explain : Investment Planning and Asset Allocation [05] 2 1
Q - 3 (b) Elaborate Estate Planning [05] 2 1
Q - 4 Attempt any one. [05]
- (i)** Mr. X subscribed shares in ABC Ltd. at a price of ₹ 100. Company paid dividend of ₹ 10 after one year. Compute the return on investment if the share price goes to ₹ 110. Would your answer be different if Mr. X had subscribed shares at 105 ? 3 5
- (ii)** Factors to consider while taking Life Insurance 2 1

CO : Course Outcome Number

BTL : Blooms Taxonomy Level

Level of Bloom's Revised Taxonomy in Assessment

1: Remember	2: Understand	3: Apply
4: Analyze	5: Evaluate	6: Create