

Roots Institute of Financial Markets

RIFM



Practice Book

Retirement Planning and Employee Benefits



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Forward

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Unit 1

Introduction to Retirement Planning

1. Which of the following issues are to be considered while planning for a client belonging to 40's to 50's age group?

1. Time to be spent in retirement.
2. Planning to work part time or be self employed
3. Acquiring sufficient wealth to retire
4. Using present assets to acquire an income stream during retirement

- A. 2, 3, and 4
- B. 2, 1 and 4
- C. 1, 2, 3 and 4
- D. 1, 4 and 3

2. Amit deposited Rs. 15,000 @ 9% p.a. in a bank fixed deposit maturing in 6 years. Calculate the amount that will be available to Amit at maturity?

- A. Rs. 24156
- B. Rs. 25156
- C. Rs. 25462
- D. Rs. 21456

3. Which of the following is the basic purpose of retirement planning?

- A. To arrange an income
- B. To provide an effective cash flow during retirement
- C. To maximize cash flow
- D. All of the above

4. Advanced in the medical science and the life expectancy are considered as a _____ -

- A. Causes of decline of joint family system
- B. Causes of increasing the financial burden of people
- C. Both the statements are true
- D. Both the Statements are false

5. Which of the following post retirement problems are to be considered in retirement planning?

- A. Adequate resources for emergency
- B. Income provision through regular funding
- C. Readjustment of self or family expenses
- D. All of the above

6. Arrange the following steps of advising a client on retirement planning in a chronological order

1. Calculate the saving required
2. Analyze retirement benefits currently available
3. Choose appropriate investment mix
4. Goal setting and date gathering

- A. 3, 2, 4, 1
- B. 4, 2, 1, 3,



- C. 2, 4, 1, 3
- D. 1, 2, 4, 3

15. To sustain in retirement life an individual should accumulate his wealth during his_____

- A. Retirement life
- B. Life cycles
- C. Working life
- D. Any of the above

16. How can person live comfortably after retirement?

- A. By reducing the standard of living after retirement
- B. By choosing an opportunity line in working years and save more
- C. By increasing average annual rate of saving rate of saving during working years
- D. None of the Above

23. Which of the following are the factors to be considered at the time of retirement planning?

- 1. Taxation
- 2. Retirement age and life expectancy
- 3. Improving the working environment of the client
- 4. Health care and emergency requirements

- A. 1, 2, 3, and 4
- B. 2, 4, and 3
- C. 1, 2, and 4
- D. 1 and 2

24. A Financial planner should never underestimate the post retirement expenses of his clients. The above statement is_____

- A. True
- B. False

25. The word 'strategy' refers to____

- A. Planned efforts to be made to reach any one of the objectives that may be achieved
- B. planned efforts to be made without any objective
- C. Planned efforts to be made to reach the predetermined objective
- D. None of the above

26. Which of the following are types of Retirement security plan?

- 1. Government Retirement Security plans
- 2. Occupational Retirement Security plans
- 3. Self funded Retirement Security plans
- 4. Environment Retirement Security plans

- A. 1 and 4
- B. 1, 2, 3, and 4
- C. 3 and 4
- D. 1, 2, and 3

27. Which of the following factors are to be considered in the process of retirement planning?

- A. Taxation
- B. Standard of living and life expectancy



- C. Investment and Inflation
- D. All of the above

28. Which of the following step basically means analyzing the existing retirement plans and improving on them to achieve the desired objective?

- A. Economic approach
- B. Strategic Asset Allocation
- C. Tactical Asset allocation
- D. None of the above

29. Which of the following characteristics of the growing up stage in the life cycle of an individual?

- 1) Enhancing skills
- 2) Dependence on spouse
- 3) Acquiring education

- A. 3, 2 and 1
- B. 1 and 3
- C. 3 and 2
- D. 2 and 1

109. Past inflation is an accurate and exact indicator of future inflation.

- A. True
- B. False
- C. Can't say
- D. All of the above

110. If there is inflation affecting a certain expense then that expense figure today will _____ by the time of retirement

- A. Rise
- B. Fall
- C. Can't say
- D. All of the above

111. Inflation can be tackled by

- A. Making additional savings to boost income
- B. Looking at stocks to boost returns
- C. Ensuring a change in the asset allocation
- D. All of the above

112. Early retirement will not always _____.

- A. Increase the time period of earnings
- B. Leave more time after retirement
- C. Decrease the time period of earnings
- D. Make more money available for retirement

113. Late retirement pushes the position of a person on the accumulation and spending curve towards _____.

- A. More accumulation
- B. Less accumulation
- C. Remains constant
- D. Moves downwards



114. A windfall gain in an area of business might lead to _____.
- A. Normal retirement
 - B. Early retirement
 - C. Late retirement
 - D. None of the above
115. Late retirement will lead to a cash flow from current activities for a _____.
- A. Longer period of time
 - B. Lesser period of time
 - C. Same as earlier
 - D. All of the above
116. A 60% replacement ratio will mean:
- A. A significant part of the pre-retirement earnings will have to be generated
 - B. The entire pre-retirement earnings will have to be generated
 - C. A sum more than half of the preretirement earnings will have to be generated
 - D. None of the above
117. Late retirement means income coming in for a _____.
- A. Lesser period of time
 - B. Longer period of time
 - C. Same as before
 - D. None of the above



Answer Sheet Unit-1							
1	C	32	D	63	A	94	A
2	C	33	D	64	B	95	B
3	B	34	A	65	C	96	B
4	B	35	B	66	A	97	A
5	D	36	B	67	A	98	A
6	B	37	B	68	A	99	D
7	B	38	A	69	D	100	B
8	C	39	C	70	D	101	C
9	D	40	D	71	A	102	D
10	B	41	C	72	B	103	A
11	C	42	B	73	A	104	C
12	D	43	C	74	D	105	B
13	C	44	B	75	D	106	D
14	D	45	C	76	C	107	C
15	C	46	B	77	C	108	B
16	C	47	D	78	B	109	B
17	D	48	C	79	C	110	A
18	B	49	A	80	A	111	D
19	C	50	C	81	A	112	D
20	B	51	D	82	A	113	A
21	C	52	D	83	B	114	B
22	B	53	B	84	D	115	A
23	C	54	A	85	D	116	C
24	A	55	C	86	A	117	B
25	C	56	B	87	C	118	C
26	B	57	C	88	A	119	C
27	D	58	B	89	C		
28	C	59	D	90	D		
29	B	60	B	91	A		
30	B	61	B	92	D		
31	A	62	D	93	C		



Solution: 8

FV = 10000, n = 10, I = 4%, PV = 6756

Solution: 10

Go to CMPD, Set- End, n= 8, PV= 1,25,000, PMT= 0, FV= 1,85,000, P/Y= 1, C/Y= 1, 1= Solve= 5.02

Solution: 11

Go to CMPD, Set – End, 1%=2.25, n= 25(60-35), FV= 1,35,000, PMT= 0, P/Y= 1, C/Y= 1

PV= Solve= 77,401

Solution: 19

Go to CMPD, Set- End, n= 15, 1%=3(2+1), PV= -2,30,000, PMT= 0, P/Y= 1, C/Y= 1

FV= Solve = 3,58,333

Solution: 26

Government Retirement Security plans-e.g Old age pension scheme. Occupational Retirement Security Plans- e.g Public Provident Fund Self funded Retirement Security plans- e.g Public Provident Fund Environment Retirement Security plans- e.g Joint Family

Solution:30

Go to CMPD, Set- End, n= 10, PV= -2,50,000, PMT= 0, FV= 2,95,000, P/Y= 1, C/Y= 1

1= Solve= 1.67

Solution: 37

Real rate = 1 + nominal rate = 3.29%

1+Inflation

Solution: 39

N = 12, I = 12%, effective rate = 12.682%

Solution: 41

In Calculator Go to CMPD Set –End, 1% = 1.75, PV= -75,000, FV= 1.10,000

PMT= 0, P/Y= 1, C/Y=1, n= Solve =22.07

Now, his retirement age would be 30 years +22 years= 52 years

Solution 42

Go to CMPD, Set-End, n= 20, 1% =5.5, PV =-1, 00,000, PMT= 0, P/Y= 1, C/Y= 1, FV= Solve= 2, 91,776

Solution: 43

Go to CMPD, Set= End, n= 15, 1%= 2.5, PV= -1,75,000, PMT= 0, P/Y= 1, C/Y=1

FV= Solve- 2, 53,450

Solution:44

Go to CMPD, Set- End, n= 12, 1%= 4, PV= -75,000, PMT= 0, P/Y= 1, C/Y=1

FV=Solve = 1, 20,077

Solution: 45

Go to CMPD, Set – End, n= 2.5, PV= -50,000, FV= 80,000, PMT= 0, P/Y= 1, C/Y= 1

n= Solve= 19

Solution: 46

Go to CMPD, Set – End, n= 25(55-30), 1%= 5(4+1), PV= -1, 23,000, PMT= 0, P/Y= 1

C/Y= 1, FV= Solve = 4, 16,521

At retirement he needs 80% of Rs. 4, 16521 i.e. Rs. 3, 33,217



Unit 2

Retirement Benefits

120. Statement which of the following statement is true:

Statement 1: In India, an employee's group insurance coverage terminates immediately as he leaves the job of the employer who has provided such benefit.

Statement 2: The group cover enjoyed by an employee can be converted in to individual policy, without undergoing any medical test, by sending an application to the insurer and paying the premium in 31 days.

- A. Statement 1 is true
- B. Statement 2 is true
- C. Both the statements are false
- D. Both the statements are true

121. A group plan _____ individual plans.

- A. is expensive than
- B. is cheaper than
- C. costs the same as
- D. none of the above

122. Group plans coverage amount is decided by the _____.

- A. Individual
- B. Group leader
- C. Group scheme
- D. Each person taking the group plan

123. Premium of group plans _____.

- A. are constant for a lot of year
- B. change each year depending upon group characteristics
- C. will decrease each year
- D. will increase each year

124. A plan in which the entire company is covered by an insurance plan is an example of _____.

- A. Term Insurance
- B. Money back insurance
- C. Group Insurance
- D. Whole life insurance

125. "Wealth Erosion" occurs on account of _____ .

- A. Increase in expenditure
- B. Accumulated debts
- C. Losses incurred
- D. Growth rate is less than Inflation rate

126. A defined benefit plan provides for:

- A. Lump sum cash payment on retirement only
- B. Periodical income after retirement
- C. Either a lump sum payment or periodical payments or a combination of both depending



- D. Either a lump sum payment or periodical payments or a combination of both depending upon the pre-fixed formula of benefits.

261 A person will earn a sum of Rs. 22 lakh in the next year. Out of this 30% of the income is tax free and the remaining sum will have a tax rate of 30% without any cess what is the tax amount?

- A. Rs. 462000
- B. Rs. 562000
- C. Rs. 662000
- D. Rs. 762000

265 Mr. Amit aged 58 years, had retired from M/s Khaitan Fans Ltd. (service of 33 years). He was receiving Rs. 10,000 per month as pension from M/s Khaitan (Defined Benefit), But due to his sad demise in March'2006, as per the provisions of the Company Pension Rules, his spouse Ms. Amita is now in receipt of 75% of the said pension w.e.f April '2006. She is now concerned about the provisions of "The Income Tax Act, 1961" with regard to its receipt in her hands. As a Financial Planner address her concern and provide an appropriate advise with reference to I.T Act, 1961 for ITAY 2007-08 governing ITPY 2006-07 (Note:- Ignore Basic Exemptions Limit)

- A. Full Rs. 90,000 is taxable as Income from Salary
- B. Full Rs. 90,000 is taxable as Income from Other Sources
- C. Full Rs. 90,000 is taxable as Income from Salary but a Standard Deduction of Rs.15,000 or 1/3 of the amount received whichever is lower will be allowed
- D. Full Rs. 90,000 is taxable as Income from Other Sources but a Standard Deduction of Rs.15,000 or 1/3 of the amount received whichever is lower will be allowed

307 The subscription paid into the PPF account enjoys the tax benefit of:

- A. Section 80C
- B. Section 10
- C. Section 80CCC
- D. Section 80 D

308 A scheme providing pension benefits as per Income Tax provisions is called_____

- A. Superannuation Scheme
- B. Retirement Scheme
- C. Pension Scheme
- D. Retirement Income Scheme

309 When government authority accords approval to such a scheme providing pensionary benefits to the employees?

- A. Ministry of Finance
- B. Ministry of Labour
- C. PF Authorities
- D. Income tax Department

Q 310 What is the maximum amount of tax free commuted pension as per Rule 90 of the Income Tax Rules?

- A. 40% of the pension
- B. One half of the pension if the employee gets gratuity, otherwise one third of the pensions
- C. One third of the pension
- D. One half of the pension



- 311 Who is authorized to pay pension under such a scheme to the eligible employees on their exit from service?
- A. The trustees themselves
 - B. The employer after taking withdrawals from the trust
 - C. The Trustees of certain specified banks and any IRDA approved Life insurer to whom the trustees pay the amount for purchase of the desired annuity
 - D. The Pension Authority
- 312 The type of Annuity to be purchased from a life insurer can be any one of the following_____
- A. Annuity for single or joint life with or without guarantee of minimum period and/or return of corpus decided by the employer/beneficiary
 - B. Annuity Certain for any period as decided by the employees
 - C. Annuity Certain for 15 years
 - D. Any type of annuity as decided by the employer
- 438 A nomination once made in the PPF account _____.
- A. cannot be cancelled
 - B. can be cancelled
 - C. cannot be varied
 - D. None of the above
- 439 The rate of return on PPF is currently ____.
- A. 8%
 - B. 8.5%
 - C. 9%
 - D. None of the above
440. The interest in a PPF account is compounded _____ .
- A. Annually
 - B. Monthly
 - C. Quarterly
 - D. None of the above
- 441 Under the EEE system there is ____ .
- A. No tax to be paid
 - B. Some tax to be paid
 - C. Tax on certain instruments
 - D. Tax at the time of return of funds
- 442 Under the EET system there is ____ .
- A. No tax to be paid
 - B. Some tax to be paid
 - C. Tax on certain instruments
 - D. Tax at the time of return of funds
- 443 The following is not a defined contribution plan _____.
- A. Employees Provident Fund scheme
 - B. Employees Pension scheme
 - C. Public Provident Fund



D. None of the above

444 If there is a lesser earning for defined contribution schemes then

- A. the employer gets a lower amount.
- B. the employee makes up the shortfall.
- C. the employee enjoys a lower benefit.
- D. the scheme guarantees the payment

445 A provident fund is recognized when it is approved by the _____.

- A. Commissioner of Income Tax
- B. Provident Fund Commissioner
- C. Commissioner of Sales Tax
- D. None of the above

521 the Group insurance premiums can vary each year because _____

- A. The age of the group members will change every year.
- B. The actual claim experience of the group during previous year will also affect the future premium.
- C. Entrance of new members in the group or exit of old members from the group may also effect the premium.
- D. All of the above

522 which of the following statement is/are true.

Statement 1: to be eligible for Group Insurance the group should have been formed with any purpose except from the objective of being eligible for low cost Group Insurance

Statement 2: In Group Insurance, there should be some party other than the insured members to pay a portion of the cost.

- A. Statement 1 is True
- B. Statement 2 is True
- C. Both the statements are true
- D. Both the statements are False

523 The maximum amount of maternity benefit available under a group mediclaim policy is.....

- A. Rs. 50,000
- B. Rs.25,000
- C. Rs. 30,0000
- D. Rs 1 Lac

524 Statement which of the following statement is true:

Statement 1: Renewal premium under a group medical policy is subject to Bonus/Malus clause.

Statement 2: The renewal premium is a group medical policy remains the same if there is no change in the strength of the group.

- A. Statement 1 is true
- B. Statement 2 is true
- C. Both the statements are false
- D. Both the statements are true

525 Maternity benefit is payable in a Group Health Insurance Plans only for.....number of children per insured person.

- A. 2
- B. 3



C. 1

D. Not defined in rules

526 The term, Experience rating, in group insurance means _____

- A. Appointing an experienced underwriter
- B. Premium rating to be done by an experienced person
- C. Each year premium is fixed as per groups last year claim and expenses experience
- D. None of the above

527 experience rating is only available in _____ insurance, whereas in _____ insurance the premium is _____

- A. Individual/Group/Level
- B. Group/Individual/Level
- C. Group/Individual/Level
- D. Individual/Group/Stepped

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Answer Sheet Unit-2									
120	B	160	C	200	D	240	D	280	C
121	B	161	B	201	A	241	A	281	D
122	C	162	C	202	A	242	C	282	B
123	B	163	D	203	C	243	B	283	B
124	C	164	C	204	C	244	A	284	B
125	D	165	C	205	A	245	D	285	C
126	D	166	B	206	B	246	B	286	B
127	B	167	A	207	C	247	B	287	C
128	B	168	C	208	D	248	A	288	C
129	D	169	A	209	B	249	A	289	D
130	C	170	B	210	D	250	A	290	D
131	D	171	D	211	D	251	B	291	D
132	B	172	D	212	D	252	A	292	C
133	B	173	D	213	C	253	B	293	D
134	D	174	D	214	A	254	B	294	C
135	C	175	B	215	C	255	D	295	B
136	B	176	A	216	A	256	D	296	D
137	B	177	D	217	D	257	C	297	D
138	D	178	D	218	A	258	B	298	A
139	D	179	A	219	C	259	C	299	C
140	C	180	D	220	A	260	A	300	B
141	D	181	A	221	D	261	A	301	B
142	A	182	D	222	D	262	C	302	A
143	B	183	D	223	D	263	B	303 (I)	B
144	A	184	A	224	D	264	B	303 (II)	C
145	D	185	D	225	A	265	D	303 (III)	B
146	A	186	B	226	C	266	C	303 (IV)	D
147	D	187	C	227	A	267	D	303 (V)	A
148	A	188	A	228	D	268	D	303 (VI)	B
149	D	189	B	229	B	269	B	304	D
150	A	190	A	230	A	270	B	305	A
151	A	191	D	231	B	271	D	306	A
152	D	192	D	232	C	272	D	307	A
153	B	193	C	233	B	273	A	308	A
154	B	194	B	234	D	274	B	309	D
155	A	195	A	235	A	275	A	310	B
156	A	196	B	236	C	276	C	311	C
157	A	197	A	237	D	277	C	312	A
158	D	198	C	238	C	278	B	313	C
159	D	199	C	239	B	279	A	314	D



Answer Sheet Unit-2											
315	B	353	B	391	C	429	A	467	D	505	B
316	B	354	A	392	B	430	B	468	C	506	D
317	C	355	B	393	C	431	B	469	D	507	B
318	B	356	A	394	B	432	C	470	C	508	B
319	A	357	D	395	B	433	A	471	B	509	A
320	D	358	A	396	C	434	C	472	D	510	D
321	A	359	A	397	B	435	B	473	D	511	B
322	C	360	A	398	A	436	D	474	C	512	A
323	D	361	A	399	B	437	D	475	D	513	B
324	B	362	A	400	D	438	B	476	A	514	B
325	B	363	A	401	B	439	A	477	C	515	B
326	C	364	A	402	A	440	A	478	C	516	C
327	B	365	A	403	A	441	A	479	C	517	A
328	B	366	D	404	D	442	D	480	B	518	C
329	B	367	C	405	C	443	B	481	D	519	D
330	D	368	C	406	D	444	C	482	C	520	C
331	C	369	A	407	B	445	A	483	A	521	D
332	A	370	D	408	C	446	C	484	B	522	C
333	C	371	A	409	B	447	B	485	A	523	A
334	C	372	A	410	D	448	A	486	A	524	A
335	D	373	D	411	B	449	D	487	C	525	A
336	B	374	A	412	A	450	B	488	A	526	C
337	A	375	A	413	C	451	D	489	C	527	B
338	C	376	A	414	C	452	B	490	A		
339	D	377	C	415	C	453	C	491	B		
340	D	378	A	416	C	454	B	492	D		
341	B	379	C	417	B	455	B	493	D		
342	C	380	B	418	C	456	A	494	B		
343	A	381	D	419	C	457	C	495	C		
344	D	382	D	420	D	458	B	496	B		
345	C	383	C	421	C	459	A	497	C		
346	D	384	B	422	B	460	D	498	C		
347	B	385	C	423	A	461	C	499	B		
348	B	386	D	424	A	462	D	500	C		
349	B	387	D	425	D	463	D	501	B		
350	C	388	C	426	B	464	C	502	E		
351	B	389	A	427	C	465	A	503	A		
352	A	390	B	428	C	466	C	504	D		



Solution: 120

After leaving job of present employer the employee is still provided cover for 31 days so that he can make effective an individual policy to insure himself or can get cover under new employer's group policy.

Solution: 134

Minimum of the following three amounts is exempt from tax

Amount received = 25000

Half month average salary for each completed years of services (Rs. 9800 * 29 * 0.5) = Rs. 142100,

Statutory limit = Rs. 350000, Therefore, Rs. 142100 is exempt from tax

Solution: 136

Leave encashment shall be exempt to the extent of minimum of following limits:

Actual amount received Rs. 396667

10 months average salary Rs. 240000

(10 * 24000)

Cash for unavailed leave calculated on the basis of 30 days leave (310 * 24000) /30= Rs. 248000

Amount specified Rs. 300000

Total leave entitlement on basis of 30 days (17* 30) 510 days

Less: Accumulated leave 310 days

Leave availed 200 days

Therefore taxable amount is Rs. 396667 is Rs. 240000 = Rs. 156667

Solution:141

Minimum amount of compensation received on retrenchment compensation is:

Actual amount received Rs. 400000

Amount calculated in accordance with the provision of Industrial Dispute Act = 6000/ 30* 15*15=

45000=Rs. 500000, Taxable amount = Rs. 400000-45000= 335000

Solution:151

Leave encashment shall be exempt to the extent of minimum of following limits:

Actual amounts received = Rs. 300000

10 months average salary = Rs. 250000

(10 * 25000)

Cash for unavailed leave calculated on the basis of 30 days leave = Rs. 300000
(300000 * 25000)

Amount specified = Rs. 300000

Therefore Rs. 250000 is exempt and balance Rs. 50000(Rs. 300000 –Rs. 250000) is taxable

Solution:152

Gratuity = Monthly salary * 7 days * No. of years of service

26

= (1500 + 1500) * 15 * 1 = 9519

26

Solution: 158

Gratuity = Monthly salary * 15 days * No. of years of service

26

= (1200 + 4000) * 15 * 31 =286154

Solution: 162

Leave encashment shall be exempt to minimum of following limits:

Actual amount received Rs. 144000

10 months average salary Rs. 88000

(10 * 8800)

Cash for unavailed leave calculated on the basis of 30 days leave Rs. 572800

(6 * 8800)

Amount specified Rs. 300000



Therefore, Rs. 52800 is exempt and balance Rs. 91200 (Rs144000- Rs. 52800) is taxable.

Solution: 196

Minimum of the following three amounts is exempt from tax

Actual Amount received = Rs. 325000

Amount as per formula = $10500 * 15 * 30 = \text{Rs. } 181730$

26

Statutory limit = Rs. 350000

Therefore, Rs. 181730 is exempt from tax

Solution: 197

Minimum of the following three amounts is exempt from tax:

Actual amount received

Amount as per formula = $25000 * 15 * 30 = \text{Rs. } 432692$

26

Statutory limit= Rs. 350000

Therefore Rs. 350000 is exempt and balance Rs. 50000 (Rs. 400000- Rs. 350000) is taxable

Solution: 200 Gratuity = Monthly salary * 15 days * No. of years of service

26

= 230769

Solution:202 Gratuity = Monthly Salary * 15 days * No. of years of service

26

$(18000 + 3200) * 15 * 38 = 464769$

26

The amount of Gratuity Payable under the Act shall not exceed Rs. 350000, Hence the amount paid as Gratuity is Rs. 350000

Solution: 204 Gratuity = Monthly salary * 7 days * No. of seasons of service

26

= $(12000 + 1200) * 7 * 13 = 46200$

26

Solution: 212 Leave encashment shall be exempt to the extent of minimum of following limits:

Actual amount received = Rs. 60000

10 months average salary = Rs. 58000

$(6 * 6000 + 4 * 5500)$

Cash for unvalid leave calculated on the basis of 30 days leave = $(140 * 5800) / 30 = \text{Rs. } 27067$

Amount specified = Rs. 300000

Total leave entitled on basis of 40 days = 640 days

Less: Accumulated leave = 300 days

Leave availed = 340 days

Entitled on basis of 30 days = 480 days

Leaves availed = 340 days

Entitled to encashment on basis of 30 days = 140 days

Solution: 214 Leave encashment shall be exempt to the extent of minimum of following limits:

Actual amount received

10 months average salary =Rs. 135800

Cash for unavailed leave calculated on the basis of 30 days leave= Nil

Amount specified = Rs. 300000

Total leave entitled on basis of 40 days = 960 days

Less: Accumulated leave = 240 days

Entitled on basis of 30 days = 720 days

Leave availed = 720 days

Entitlement to encashment on basis of 30 days = nil

Solution: 215 Last salary drawn Rs. 64464



Unavailed leave period = 240 days = $240/30 = 8$ months

Hence leave salary benefit on retirement would be = $64464 * 8 = 515712$

Solution: 219 Leave encashment shall be exempt to the extent of minimum of following limits:

Actual amount received Rs. 140000

10 months average salary Rs. 98000

($10 * 9800$)

Cash for unavailed on the basis of 30 days leave = Rs. 78400

($8 * 9800$)

Amount specified Rs. 300000

Therefore, Rs. 78400 is exempt and balance Rs. 61600 (Rs. 140000 - Rs. 78400) is taxable.

Solution: 226 Minimum amount of compensation received on retrenchment compensation is:

1. Actual amount received Rs. 500000

2. Amount calculated in accordance with the provision of Industrial Dispute Act = $4000/- * 30 * 17 * 15 = 34000$

3. Rs. 500000

Solution: 230 Minimum amount of compensation received on retrenchment compensation is:

Actual amount received Rs. 400000

Amount calculated in accordance with the provision of Industrial Dispute Act = $1000/- * 7 * 15 * 15 = 32143$
Rs. 500000

Solution: 277 As he is covered under the gratuity act the amount of gratuity as calculated by the act will be exempt subject to a max of 350000/- $15/26 * 10500 * 30 = 181730.769$

Solution: 278 As per the gratuity act 1972, gratuity received from by an employee from more than one employer in the same previous year the maximum amount of gratuity exempt from tax u/s 10(10)(iii) cannot exceed Rs 350000/-

Solution 281 = Least of $10 * 8400 = 84000$

Actual received = 36000

Statutory limit = 300000

$13 * 40 = 520$ days, actually taken 150 days, $520 - 150 = 370$,

As per act $13 * 30 = 390$, therefore balance $390 - 370 = 20$,

$8400 * 20/30 = 5600$.

Solution: 282 $350000 - 75000 = 275000$

Solution: 283 Covered under the gratuity act therefore gratuity exempt will be least of actual received, max limit Rs.300000, or calculated as per the act as $15 * 10500 * 30 = 181730$

Solution: 284 $\frac{1}{2} * 26 * 41967 = 545573$, As payment is least of 350000, actual received or as calculated Least is 350000, is exempt gratuity therefore balance 400000 is taxable

Solution: 285 Leave encashment during service is fully taxable.

Solution: 286 $30 * 3100 * 15/26 = 8346$

Solution: 300 Hint: First loan in the third year from the date of opening the account

Solution: 301 Hint: Contribution to an un recognized PF do not get any tax benefit under section 80C

Solution: 303(I) Out of 12% of Rs. 6500, 8.33% of Rs. 6500 i.e. Rs. 541 will be deposited by the employer in the EPS scheme and the balance i.e. Rs. 239 in the Pf account of the employee.

303(II) 1.10% of Rs. 6500

Solution 303(IV): there being no charges for this EPS scheme

Solution 303(V): 0.5% of Rs. 6500pm

Solution 303(VI) @0.001% of Rs. 6500 pm subject to minimum payment of Rs. 2

Solution 325 Use increasing annuity Arithmetic progression formula. There are 16 payments the first one made on 31-3-2000 and the last one on 31-3-2015. The PPF account shall mature on 1-4-2015.

Solution 326 For a balance Rs. 35000 the cover is Rs. 35000 plus one fourth of the excess amount over Rs. 35000 i.e. one fourth of Rs. 155000 but maximum insurance cover is subject to maximum of Rs. 60000.

Solution 353 Out of Rs. 70000, the balance amount of Rs. 66,000 (Rs. 70000 - Rs. 1000 - Rs. 3000) is to



be paid in balance 10 monthly installments of equal amount. Maximum payments in a year to a PPF account are 12.

Solution 354 Maximum withdrawal in the extended period is 60% of the opening balance of Rs. 2000000. One amount of Rs. 200000 has already been withdrawn.

Solution 355 : 50% of the balance as at the end of 4th preceding year on the previous year whichever is the least amount.

Solution 377 Insurance companies provide higher cover and charge premium according to the sum assured and age profile of the employees.

Solution 383 PMT (end) Rs. 36000 i.e 12% his own contribution and 12% by the employer

$n = 20 + 12 = 240$ and $i = 9/12 = 0.75\%$

solve FV which comes to Rs. 2404393

Solution 384 Contribution to an un recognized PF do not get any tax benefit under section 80C

Solution 385 Balance as at the end of 2nd preceding year

Solution 386 First withdrawal is allowed after a period of 5 years from the end of the year in which the account was opened.

Solution 388 Maximum amount a person can deposit in his own and his minor child's accounts is Rs. 70000 clubbed together.

Solution 395 $6500 * 3.67 = 238.55$ or 239

Solution 396 $6500 * 12\% = 780$

Solution 447 Under the EPF act, Employer also has to make contribution equal to the employee's contribution towards PF. However of the 12%, 8.33% goes towards the contribution for EPS scheme and balance is added to the PF.

So, EPS contribution = 8.33% of 6500 = 541

Solution 453 $5000 + 25\% (90000 - 35000) = 48750$

Solution 455 The maximum limit of benefits available under section 80C & 80CCC is Rs.100000.

Solution 496 Monthly pension = pensionable salary x pensionable service/ 70 = $6000 \times 30 / 70 = 2571$

Solution 497 Monthly pension = pensionable salary x pensionable service/ 70 = $6000 \times 35 / 70 = 3000$



Unit 3

Retirement Planning and Strategies

528 A person who wants his savings of Rs. 10 lakh to last for 10 years when the earning rate is 5% would get _____.

- A. Rs. 100000 pa
- B. Rs. 105000 pa
- C. Rs. 129504 pa
- D. Rs. 134789 pa

529 The risk of investing in a sectoral scheme is _____.

- A. Industry risk
- B. Interest rate risk
- C. Foreign exchange risk
- D. Liquidity risk

530 If a mutual fund scheme has invested in only a single stock then the risk here is that of _____.

- A. Political risk
- B. Company risk
- C. Interest rate risk
- D. Foreign exchange risk

531 Equities are usually meant for investments in young age because _____.

- A. Time available
- B. Risk taking ability
- C. Nature of investment
- D. All of the above

532 The new theory says that there should be a small presence of _____ in the portfolio even at old age.

- A. Real estate
- B. Bond
- C. Equity
- D. Government securities

533 After retirement the earnings of the individuals always increase.

- A. True because retirement money is received
- B. True because expenses go down
- C. False because there is a drop in earnings due to stoppage of regular income
- D. False because there is not additional activity for earnings

534 Additional activities after retirement can also contribute to _____.

- A. Income of the individual
- B. Educational qualifications
- C. Technical qualifications
- D. Build up of experience for next job

535 Equity investment is characterized by the following:

- A. High return
- B. High risk



C. Demat trading

605 If you want to know how much a certain sum will grow in the next 15 years you need to find this out using the _____.

- a) Present value
- b) Future value
- c) Payment
- d) None of the above

606 If you want to know how much a certain sum will grow in the next 15 years you need to find this out using the _____.

- A. Present value
- B. Future value
- C. Payment
- D. None of the above

612. There is a need to ensure that a sum of Rs. 10 lakh is available on a certain day after a year. There is no problem of accumulating the required funds. What is the most appropriate investment that will be witnessed for such an event _____.

- A. 30% direct equity, 50% equity mutual funds, 20% debt
- B. 5% direct equity, 5 % equity mutual funds, 90% debt
- C. 15% direct equity, 5 % equity mutual funds, 80% gold
- D. 20% direct equity, 20% equity mutual funds, 60% debt

613 There is a need to ensure that at the end of five years there is a protection of capital however, there should also be a chance of earning a slightly higher rate of return. The portfolio that will most likely be adopted in such a situation is _____.

- A. 30% direct equity, 50% equity mutual funds, 20% debt
- B. 10% direct equity, 10 % equity mutual funds, 80% debt
- C. 15% direct equity, 5 % equity mutual funds, 80% gold
- D. 20% direct equity, 20% equity mutual funds, 60% debt

614 There is an investment that is bought for a price of Rs. 450. The past analysis shows that the investment moves within a range of 20% during a particular year. What is the extent of losses possible for an investor when a sum of Rs. 90000 is invested _____.

- A. Rs. 9000
- B. Rs. 18000
- C. Rs. 27000
- D. Rs. 36000

677 A sum of Rs.75000 each year for a period of 9 years at a rate of 9% will create a corpus of _____

- A. Rs 768978
- B. Rs 865764
- C. Rs 976577
- D. Rs 987546

678 An investment of Rs. 3 lakh each year at an earnings rate of 5% for 10 years will give _____ .

- A. Rs. 3065758
- B. Rs. 3365758
- C. Rs. 3675454
- D. Rs. 3773367



679 Investment of Rs. 25000 a month at an earnings rate of 5% for 10 years will give

- _____ .
- A. Rs. 3365758
 - B. Rs. 3675454
 - C. Rs. 3773367
 - D. Rs. 3882056

680 Will a sum of Rs. 12000 a month saved for 5 years at 10% bridge a gap of Rs. 10 lakh?

- A. Yes
- B. No
- C. It will exactly be the same
- D. None of the above

776 A Kisan Vikas Patra can be issued in the denomination of _____

- A. Rs. 100
- B. Rs. 50000
- C. Rs. 1000
- D. All of the above

777 What is the maximum limit one can invest in Kisan Vikas Patra?

- A. Rs. 5,000
- B. Rs. 10,000
- C. There is no limit
- D. None of the above

778 What is the maximum amount one can deposit in a Senior Citizen Savings Scheme account under single ownership?

- A. Rs. 5,00,000
- B. Rs. 15,00,000
- C. Rs. 10,00,000
- D. Rs. 20,00,000

779 A senior citizen savings account can be opened by _____

- A. Individual
- B. Jointly with spouse
- C. NRI
- D. Both A & B

780 Deposits under National Saving Certificate are exempted from wealth tax.

- A. Yes
- B. No
- C. Partly
- D. None of the above

781 Which of the following cannot purchase National Saving Certification?

1. NRI 2. HUF 3. Trust 4. Company
- A. 2 and 3
 - B. 1 and 2
 - C. 1, 2, 3, and 4
 - D. 3, 2, and 4



Answer sheet unit 3											
528	C	565	D	602	B	639	A	676	A	713	A
529	A	566	B	603	C	640	B	677	C	714	C
530	B	567	B	604	C	641	A	678	D	715	C
531	D	568	D	605	B	642	C	679	D	716	A
532	C	569	B	606	B	643	C	680	B	717	C
533	C	570	D	607	C	644	A	681	C	718	B
534	A	571	B	608	D	645	B	682	A	719	C
535	D	572	A	609	B	646	C	683	B	720	B
536	D	573	D	610	C	647	B	684	A	721	A
537	C	574	C	611	C	648	C	685	A	722	B
538	B	575	A	612	B	649	D	686	A	723	A
539	D	576	C	613	B	650	C	687	B	724	C
540	A	577	D	614	A	651	D	688	C	725	A
541	B	578	B	615	C	652	C	689	B	726	B
542	D	579	D	616	C	653	A	690	C	727	A
543	B	580	C	617	D	654	C	691	D	728	C
544	A	581	A	618	D	655	C	692	C	729	A
545	A	582	D	619	B	656	B	693	C	730	A
546	C	583	B	620	A	657	C	694	B	731	B
547	D	584	C	621	B	658	B	695	C	732	B
548	A	585	C	622	A	659	B	696	C	733	A
549	D	586	C	623	C	660	C	697	A	734	D
550	D	587	D	624	B	661	C	698	D	735	A
551	B	588	B	625	A	662	C	699	D	736	A
552	D	589	B	626	A	663	A	700	B	737	A
553	A	590	C	627	A	664	A	701	C	738	A
554	D	591	A	628	A	665	D	702	C	739	B
555	D	592	B	629	C	666	B	703	A	740	B
556	D	593	D	630	D	667	D	704	A	741	B
557	D	594	A	631	C	668	A	705	A	742	C
558	B	595	B	632	A	669	A	706	C	743	D
559	D	596	B	633	D	670	A	707	C	744	D
560	D	597	A	634	B	671	C	708	A	745	A
561	A	598	A	635	A	672	D	709	A	746	D
562	A	599	A	636	B	673	A	710	C	747	C
563	C	600	D	637	D	674	A	711	A	748	D
564	B	601	B	638	A	675	C	712	C	749	C



Answer sheet unit 3													
750	C	785	A	820	B	855	D	890	B	925	B	960	C
751	D	786	B	821	C	856	B	891	D	926	B	961	B
752	A	787	B	822	B	857	B	892	D	927	C	962	B
753	A	788	A	823	C	858	C	893	C	928	B	963	A
754	B	789	A	824	A	859	A	894	D	929	D	964	B
755	B	790	D	825	C	860	B	895	C	930	A	965	D
756	D	791	B	826	D	861	B	896	C	931	A	966	D
757	D	792	D	827	D	862	C	897	A	932	D	967	B
758	C	793	A	828	C	863	D	898	D	933	B	968	B
759	B	794	C	829	C	864	B	899	A	934	B	969	C
760	C	795	B	830	D	865	A	900	A	935	C	970	C
761	C	796	B	831	D	866	C	901	D	936	A	971	B
762	C	797	C	832	C	867	C	902	B	937	B	972	B
763	B	798	D	833	C	868	B	903	C	938	D	973	C
764	C	799	C	834	D	869	D	904	A	939	A	974	C
765	B	800	C	835	C	870	A	905	B	940	D	975	D
766	A	801	B	836	D	871	B	906	A	941	C	976	A
767	E	802	C	837	C	872	C	907	C	942	C	977	C
768	B	803	C	838	B	873	C	908	D	943	B	978	B
769	A	804	A	839	D	874	C	909	C	944	B	979	A
770	B	805	D	840	C	875	A	910	D	945	C	980	A
771	C	806	B	841	C	876	D	911	D	946	B	981	A
772	B	807	B	842	C	877	D	912	B	947	C	982	A
773	C	808	B	843	C	878	C	913	A	948	C	983	A
774	B	809	C	844	C	879	A	914	A	949	B	984	B
775	B	810	D	845	C	880	C	915	A	950	D	985	C
776	D	811	D	846	A	881	C	916	B	951	A	986	D
777	C	812	D	847	A	882	A	917	A	952	D	987	A
778	B	813	A	848	C	883	A	918	A	953	A	988	D
779	D	814	C	849	B	884	B	919	D	954	D	989	A
780	A	815	C	850	B	885	B	920	A	955	D	990	D
781	C	816	C	851	D	886	A	921	B	956	B	991	B
782	A	817	C	852	B	887	A	922	D	957	C	992	D
783	A	818	C	853	B	888	B	923	C	958	C	993	D
784	A	819	A	854	C	889	A	924	C	959	C		



Unit 4

Pension Sector Reforms

994 Pension Fund Regulatory and Development Authority (PFRDA) was established on.....

- A. 24th March 2000
- B. 24th September 2002
- C. 23rd August 2003
- D. 20th August 2003

995 SEWA stands for.....

- A. Self Employed Women Academy
- B. Self Employment Women Association
- C. Self Employed Women Association
- D. Self Employed Women Authority

996 Trade Committee of SEWA consists of Members.

- A. 10 to 30 members
- B. 15 to 50 members
- C. 12 to 35 members
- D. 10 to 20 members.

997 After every 3 years the Trade council of SEWA elects an executive Committee of 25 members.

- A. True
- B. False

998 SEWA movement is enhanced by.....

- A. Cooperative movement
- B. Labour movement
- C. Women's movement
- D. All of the above

999 Which of the following is/are deficiency of current pension scheme?

- A. Investment options are restricted.
- B. Very low pension coverage.
- C. Existing pension schemes are inadequately funded.
- D. All of the above.

1000 In pension reforms, CRA stands for.....

- A. Central Record Keeping Agency
- B. Central Record Authority.
- C. Central Record Authority.
- D. Common Record Authority.

1001 PFRDA stands for.....

- A. Pension Fund Regional Development Authority.
- B. Personal Fund Regional Development Authority.
- C. Pension Fund Regulatory and Development Authority.



D. Private Fund Regulatory Development Authority.

1002 In pension reforms, PFM stands for.....

- A. Pension Finance Manager.
- B. Pension Fund Manager
- C. Personal Fund Manager.
- D. Personal Finance Manager

1030 Which of the following is/are the feature of OASIS?

- A. Widespread accessibility.
- B. Privately manager individual accounts
- C. Both A& B
- D. None of the above

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Answer Sheet Unit-4							
994	C	1006	C	1018	B	1030	C
995	C	1007	C	1019	B	1031	C
996	B	1008	D	1020	D	1032	B
997	A	1009	D	1021	B	1033	D
998	D	1010	C	1022	C		
999	D	1011	A	1023	C		
1000	A	1012	B	1024	D		
1001	C	1013	B	1025	B		
1002	B	1014	B	1026	C		
1003	D	1015	B	1027	D		
1004	A	1016	A	1028	D		
1005	B	1017	D	1029	D		

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Solution 540 Set Begin, PMT = -10000, n=9, i=6, FV=solve as at the end of 9 years i.e. as ofn 1st April 2016 which comes to Rs. 121807.95. now take this value as PV, PMT=0, i=6, n=4 . solve FV which works out to be Rs.153780

Solution 542 as it is annuity due, hence PMT (BGN) = -10000; n=10; „I“ =6; Solve PV which comes to Rs.78016.92. Now take this value as FV as at the end of 5 years from now; n=5; „I“ =6 and PMT =0 and then solve PV.

Solution 543 Step 1

Set end PMT = 35000 N= 70-55=15*12=180 I=RRR=0.1594

PV= Solve= - 5473015

Step 2

Set End FV=5473015 N=55-25=30 I=6.5 PMT=solve=-63363

Solution 544 Step 1

PV= -250000 I=5 N=55-25=30 FV=solve=-119568

Step-2

Set Begin PMT=1080486 I=3.33 PV=-16114541

Step 3

Set Begin FV=16114541 N=55-25 I=8.5 PMT=solve=-119568

Solution 545 FV =7500000; n=30; „I“ =8; PV=0. Compute PMT (END).

Solution 546 Compute PMT (END) with period as 25 years instead of 30 years as in the previous question. The percentage increase would be 54.957% because the revised PMT is Rs.102591

Solution 547 PV=-1000; PMT=50; n=10; FV=1200. Compute „I“

Solution 548

Step 1: PMT (END) = -10000, N=60-30=30, I=8, FV=1132832

Step2: PV=1132832, N=20, I=RRR=1.886, PMT (Begin) =solve=59086

FV=200000

Interest in step 2 is real rate of return.

Real rate= [(1.08/1.06)-1]*100 =1.886

Solution 549 Step1: N=16, PV=325000, I=4, FV=SOLVE=608718,

Step2: PV=solve=14549341..N=85-46=39..I=2.8846, PMT=608718

He saves Rs.500000.so PMT=-500000, N=16, I=7, FV=13944026

So this is not sufficient

Interest in step 2 is real rate of return

Real rate= [(1.07/1.040)-1]*100 =2.88

Solution 553 Step1: N=55-25=30, I=12, FV=45000, PV=-1502,

Step2: N=40, I=12, V=-1502, FV=590326, PMT (End) =Solve=-587

Solution 555 Set: Begin, N=25, I=10.25, PMT=-35000, FV=Solve=3940593

Solution 556 Step1: PV=225000, I=9, N=60-25=35, FV=-4593143,

Step2: PMT (begin) =4593143, N=75-60=15, I=0.45871, PV=66737959

Step3: FV=66737959, N=60-25=35, I=9.5, PMT (Begin) =solve=-252175

Interest in step 1 is real rate of return.

Real rate= [(1.095/1.090)-1]*100 =0.45871

Interest in step 1 is real rate of return.

Real rate= [(1.095/1.09)-1]*100 =0.45871

Solution 557 As it is annuity due, hence PMT (BGN) = -20000; n=15; i=9; Solve PV which comes to Rs. 175723.0078. Now take this value as FV as at the end of 5 years from now; n=5; i=9 and PMT=0 and then solve PV.

Solution 559 Set: Begin, N=30, I=9, PMT=32000, FV=Solve=-4754407

Solution 560 N=75-50=25*12, PV=SOLVE=-12672708, I=-1.242291/12, PMT (END) =36000

Real rate = [(1.105/1.1189)-1]*100 =-1.242291



$N=50-28=22, FV=12672708, I=10.50, PV \text{ (End)} = \text{SOLVE} = -1408962$

Solution 561 Step 1: $PMT \text{ (End)} = -15000, N=60-27=33, I=10.25, FV=3516862.769$

Step 2: $PV=3516862.769, N=15, I=1.1467, PMT \text{ (Begin)} = \text{solve} = 264571, FV=180000$

Interest in step 2 real rate of return

Real rate = $[(1.1025/1.09)-1]*100 = 1.1467$

Solution 562 $FV=5000000; n=30; i=9; PV=0$. Compute $PMT \text{ (END)}$.

Solution 563 Compute $PMT \text{ (END)}$ with period as 24 years instead of 30 years as in the previous question. The percentage increase would be 77% because the revised PMT is Rs.65113

Solution 564 Step 1: $PMT \text{ (Begin)} = 200000, N=75-60=15, I=6, PV=2058996.785$

Step 2: $FV=2058996.785, N=60-32=28, I=9.25, PMT \text{ (Begin)} = \text{solve} = 15983.529$

Solution 565 Solution: $N=60-25=35$

8% of 520000 = 41600

$FV = 41600 * [(1.10)^{35} - (1.0875)^{35}]$

$(1.10) - (1.0875)$

= 30833560.92

Solution 566 Step 1: $PMT \text{ (End)} = -18000, N=60-28=32, I=8, FV = \text{Solve} = 2415843.674$

Step 2: $PV = -2415843.674, N=75-60=15*12, I=0.934579/12, PMT \text{ (END)} = \text{solve} = 13768$

$FV = 120000$

Real rate = $[(1.08/1.07)-1]*100 = 0.9345$

Solution 567 Step 1: $N=4, I=5, PV=300000, FV = \text{SOLVE} = 364652$

Step 2: $N=4, I=4, PV=364652-10\% \text{ Of } 364652, FV = \text{Solve} = 383932$

Final answer = $383932 - 10\% \text{ of } 383932$

= 345538

Solution 568

Solution: $N=60-22=38$ 12% of 280000 = 33600

$FV = 33600(1.08)^{38} - (1.07)^{38}]$

$(1.08) - (1.07)$

= 18634574.18

Solution 569 $N=8*4, I = 8/4, FV = \text{Solve} = 132681, PMT = -3000$

Solution 570 $N = 2000-1967, I = 7, PV = \text{slove} = -80000, FV = 746027$

Solution 572 Step 1: Set end, $PMT = 15000, N = 58-38 = 20, I = 8.25, FV = 1491655$

Step 2: Set Begin, $PV = 1491655, N = 80-58 = 22, I = RRR = 3.0952, PMT = \text{Solve} = 91655$

Solution 573 First find the PV as at the end of 10 years at the rate of 5% for 5 years of $PMT \text{ (end)}$ of Rs. 15000. Then take the afore said value as $FV, n=10, i=6$ and $PMT = \text{Rs}, 15000$. Find the PV

Solution 574 $PMT \text{ (BGN)}$ is to be worked out on the basis of $PV = -50,00,000; n=300$ months and effective monthly rate of 0.720732331.

Solution 575 $PMT \text{ (END)}$ for the first 10 years is Rs.200000. Solve its FV at the rate of 8%. Then take it as PV and with zero PMT , calculate its FV for 5 years. This value as at the end of 15 years is to be taken as $PV; PMT \text{ (END)} = 150000; n=5$ and $i=8$. Calculate FV .

Solution 576 $PV = 90\%$ of 100000 i.e. Rs.90000; i is the sum of inflation rate and raise in living standard rate = $5+2=7\%; n=30$. Calculate FV .

Solution 577 $PMT \text{ (END)} = -1000000; n=13; i=8$. Compute FV

Solution 579 Step 1: $N=70-50=20*12, PV = \text{SOLVE} = -19516901, I = -4.5/12, PMT \text{ (End)} = 50000$

Step 2: $N=5, FV = \text{SOLVE} = 19516901, I=6, PMT \text{ (Begin)} = \text{Solve} = 3266253, \text{Real rate} = [91.06/1.110-1]*100 = -4.5$

Solution 580 Solution: $N=58-33=25, 12\% \text{ OF } 360000 = 43200$

$FV = 43200 * [91.0750^{25} - 91.080625]$

$(1.075) - (1.08)$

= 6481171



Solution 581 Step1: $N=240, I=1, PV(End) = \text{Solve} = -590326, PMT=6500$

Step2: $N=40, I=12, FV=590326, PMT(End) = \text{Solve} = 769$

Solution 582 Cost of refinancing $= 114042 \times .03 = 3421.26$

Total debt $= 114042 + 3421.26 = 117463.26$

Now Take, $N = (60-43) \times 12, I = 7/12, PV = 117463.26, PMT = \text{Solve} = -986.29$

Solution 583 Real rate of return $= 1.06/1.04 - 1 = 0.019230769$ or 1.923076923

Step 1: $N = 20 \times 12, I = 1.923076923/12, PMT = 45000, PV = \text{Solve} = -8959775$

Step2: $N = 5, I = 6, FV = 8959775, PMT(Begin) = \text{Solve} = -1499464$

Solution 584 Solution: $N = 60 - 30 = 30, 10\% \text{ OF } 480000 = 48000$

$FV = 48000 \times [(1.09)^{30} - (1.08)^{30}]$

$(1.09) - (1.08)$

$= 15384104$

Solution 585 Cost of refinancing $= 1682122 \times .03 = 50463.66$

Total debt $= 1682122 + 50463.66$

$= 1732585.66$

Now, Take, $N = (60-32) \times 12, I = 9/12, PV = 1732585.66, PMT = \text{Solve} = -14143.09$

Solution 586 Real rate of return $= 1.105/1.1189 - 1 = -1.242291536$

Step 1: $N = 15 \times 12, I = -1.242291536/12, PMT = 42000, PV = \text{Solve} = -8314966$

Step 2: $N = 25, I = 10.5, PV = -8314966, PMT(Begin) = \text{Solve} = 70954.27,$

Solution 587 $PV = -10000; PMT = 500; n = 10; FV = 16200$. Compute „I“

Solution 588 Step 1: $PMT(Begin) = 36000, N = 75 - 58 = 17 \times 12 = 204, I = 0.91324/12, PV = 6805093.954$

Step2: $FV = 6805093.954, N = 58 - 25 = 33, I = 10.5, PMT(End) = \text{Solve} = 27509$

Interest in step 1 is real rate of return.

Real rate $= [(1.105/1.095) - 1] \times 100 = 0.91324$

Solution 589 $N = 12 \times 4, I = 10/4, FV = \text{Solve} = 617485, PMT = 6800$

Solution 590 $N = 28, I = 10.25, PV = -106000, FV = 1628945.721$

Solution 591 Fixed deposit NSC

$N = 5 \quad N = 6$

$I = \text{solve} = -8.44 \quad I = \text{solve} = 7.22$

$PV = -100000 \quad PV = -100000$

$FV = 150000 \quad FV = 152000$

Solution 592 $PV = -22000; PMT = 440; n = 10; FV = 26200$ Compute „I“

Solution 593 Solution: $N = 70 - 55 = 15 \times 12, PV = \text{solve} = -4102955, I = 2.83/12, PMT(End) = 28000$

Real Rate $= [(1.09/1.06) - 1] \times 100 = 2.83$

$N = 25, PV = \text{solve} = -475804.5, I = 9, FV = -4102955$

Solution 594 Step 1: $PMT(End) = 8000, N = 58 - 25 = 33, I = 8, FV = 1167604.964$

Step 2: $PV = 1167607.964, N = 75 - 58 = 17, I = 1.88679, PMT(Begin) = \text{Solve} = 79427.479$

Interest in step 2 is real rate of return.

Real Rate $= [(1.08/1.06) \times 100 = 1.88679$

Solution 668 A retiree at 60 has little appetite for risk as he no longer has any earning power. Further, he needs certainty of income. But a small amount of equity is still recommended as a hedge against inflation. If not, if he lives until say 80, he will experience a drop in his standard of living.

Solution 687 . "Growing Annuity Formulae to find AV"

$Z \times (1 + r)^n - (1 + x)^n = AV$

$(1 + r) - (1 + x)$

where $z = \text{Savings}, r = \text{rate of earnings during the tenure}$

$x = \text{rate of increase in Salary}, n = \text{period of investment}$

$AV = \text{Accumulated Value / Future Value}$

Solution 736 Solution: Inflation adjusted rate $= ((1.06/1.04) - 1) \times 100 = 1.923076/12 = 0.160256410$

Mode = end, $n = 17 \times 12 = 204, I = 0.160256410, pmt = 75000, PV = 13041852.21$



$N = 28$, mode = end, $pmt = -200000$, $I = 6\%$, $FV = 13705622.32$

Solution 737 Solution: Fv of expenses; $n = 25$, mode end, $I = 6\%$, $PV = -300000$; $FV = 1287561.216$

Mode = begin, $n = 15$, $I = 3.773584\%$, $pmt = 1287561.216$, $PV = -15093801.73$

Mode = end, $n = 25$, $I = 10\%$, $FV = 15093801.73$, $pmt = 153474.8656$

Solution 738 Mode = end, $n = 10$, $i = 9\%$, $pmt = -45000$, $FV = 683681.8373$,

$PV = -683681.8373$, mode = end, $n = 16$, $I = 9\%$, $FV = 5000000$, $pmt = 85477$

Solution 739 Solution: Mode = end, $n = 15$, $pmt = -800000$, $I = 6\%$, $FV = 18620775.91$;

Mode = end, $I = ((1.06/1.04)-1)/12 = 0.160256410$, $PV = -18620775.91$, $pmt = 90000$, $n = 251.56$

months; $n = 20.96$ years. i.e. $50 + 20.96 = 70.96$ years

Solution 740 Solution: Mode = end, $I = 12\%$, $n = 20$, $pmt = 12000$, $PV = 89633$,

Mode = end, $I = 12\%$, $n = 10$, $FV = 89633$, $pv = 28859.5$

Solution 741 Mode = end, $n = 15$, $I = 8\%$, $PV = -280000$, $FV = 888207.3520$, $80\% \times 888207.3520 = 710566$

Solution 742 Solution: $Fv = 500000/80\% = 625000$

Mode = end, $n = 5$, $PV = -400000$, $FV = 625000$, $I = 9.33\%$



Sample Paper-1

One Mark

1. A person cannot modify the nomination in case of gratuity
 - A. False
 - B. True
 - C. Maybe
 - D. Not possible to answer

2. Compensation received by a workman at the time of closing down of the undertaking in which he is employed is classified as
 - A. Voluntary Retirement
 - B. Retrenchment Compensation
 - C. Workman's fund
 - D. Real Compensation

3. An offence of moral turpitude can result in forfeiture of gratuity
 - A. False
 - B. True
 - C. Maybe
 - D. Not Possible to answer

4. Married children of an employee constitute family under the Payment of Gratuity Act
 - A. True as this is part of the definition
 - B. True because married children are always family
 - C. False as this is not part of the definition
 - D. False because married children are never family

5. _____ cannot open a new PPF account today
 - A. HUF
 - B. Individual
 - C. Minor
 - D. None of the above

6. An investment in the PPF account can be made through____
 - A. Cash
 - B. Cheque
 - C. Draft
 - D. All of the above

7. A workman has been in continuous service for 3 years. In this case, reasons have to be given for the retrenchment
 - A. No
 - B. Yes
 - C. In some cases



D. Never

8. The maximum benefit available for investment in PPF under Section 80C of the Income tax is_____

- A. Rs.60000
- B. Rs.70000
- C. Rs.75000
- D. Rs.100000

Two Marks

1. What is the corpus required to earn Rs.3.4 lakh a year at a rate of 8% per annum?

- A. Rs.4250000
- B. Rs.425000
- C. Rs.4500000
- D. Rs.4500000

2. A person wants to know whether a sum of Rs.12 lakh today will be more than Rs.64 lakh after 12 years given an earning rate of 9%

- A. No
- B. Yes
- C. Always
- D. None of the above

3. Nitin wants his Rs.50, 000 to grow to Rs.200, 000 at the end of 15 years. What is the earning that is required achieving this figure?

- A. 9.58%
- B. 9.68%
- C. 9.78%
- D. 9.88%

4. If a person invests Rs.5, 000 at the end of each year, then after 10 years the figure earning at a rate of 6% p.a. will become

- A. Rs.66904
- B. Rs.65409
- C. Rs.65904
- D. Rs.66409

Four Marks

1. There are various expenses incurred by a person in the normal day to day life. This includes expenses on running the housing of Rs.35000 per month, medical expenses of Rs.15000 per month for the aged parents, other miscellaneous expenses of Rs.12000 per month. If the running expenses will come to Rs.20000 per month and the medical expenses increase to 20000 with other things the same, what is the replacement percentage?

- A. 62%
- B. 73%
- C. 84%
- D. 95%



2. A person saves Rs.25000 each year. If the earning rate is 5% for the first 10 years and then moves to 7% for the next 10 years, will the amount accumulated be enough to collect a sum of Rs.15 lakh on retirement that is, at the end of 20 years?

- A. Yes
- B. No
- C. Data insufficient
- D. Do not know

3. Lalit wants to save Rs.3 lakh each year till retirement which is 17 years away. The earnings rate rises to 6% from the first year from the 5% earlier. By how much can Lalit prepone his retirement?

- A. 1 Years
- B. 2 years
- C. 3 years
- D. 10 years

4. Amit expects to spend Rs.3 lakh a year for 15 years after retirement. The applicable rate at that point is expected to be 6%.He wants to set aside a sum of Rs.10 lakh for his grandchild. What is the retirement corpus that he is looking at?

- A. Rs.3330567
- B. Rs.3330939
- C. Rs.3356987
- D. Rs.3356746

5. Savita spends Rs.15, 000 per month on various household expenses. The figure is expected to increase by 3% for the next 12 years and 7% thereafter. What will be the monthly expense in 15 years?

- A. Rs.25199
- B. Rs.25919
- C. Rs.26919
- D. Rs.26199



Sample Paper-1					
One Mark		Two Mark		Four Mark	
Question	Answer	Question	Answer	Question	Answer
1	A	1	A	1	C
2	B	2	A	2	B
3	B	3	B	3	A
4	A	4	C	4	B
5	A	5	A	5	D
6	D	6	D	6	C
7	B	7	A	7	D
8	B	8	C	8	B
9	B	9	A	9	C
10	A	10	A	10	A
11	D	11	C	11	B
12	D	12	A	12	B
13	C	13	A	13	C
14	B	14	D	14	A
15	B	15	C	15	D
16	A	16	A		
17	B	17	D		
18	B	18	D		
19	B	19	B		
20	A	20	A		
21	B				
22	A				
23	A				
24	A				
25	C				
26	C				
27	C				
28	D				
29	A				
30	B				
31	D				
32	A				
33	C				
34	D				
35	A				
36	B				
37	C				
38	A				
39	D				
40	B				



Sample Paper-2

One Mark

2. Mr. Ankit is divorced and later remarries. His former wife is his EPF beneficiary but in his current Will, he leaves everything to his present wife. Who will get his EPF proceeds should he die now?

- A. Former wife
- B. Present wife
- C. Each gets half
- D. The court has to decide

3. Which one of the following is most likely to cause firms to decrease the amount of investment they undertake?

- A. A fall in interest rates
- B. A rise in expected consumer demand
- C. A fall in business confidence
- D. A fall in company taxation

4. Which one of the following would best indicate economic growth? An index of.....

- A. Share prices
- B. Real national output
- C. Export volumes
- D. Manufacturing output

7. Mr. Nitin who is an NRI wants to open an account under SCSS scheme. What can u suggest him?

- A. He can't open the account
- B. He can open an account
- C. He can open an account with some restrictions
- D. None of the above

8. The variation of return from expected rate of return is called.....

- A. Investment risk
- B. Business risk
- C. Market risk
- D. None of these

Two Mark

1. The Employees Provident Funds and Miscellaneous Provisions Act, 1952 extends to _____

- A. All States excluding Union Territories
- B. A few specified states of India
- C. Whole of India
- D. Whole of India except the State of Jammu and Kashmir

2. Which of the following statements is correct?



Statement 1: Under the Payment of Gratuity Act, if an employee has a family at the time of making a nomination, any nomination made by such employee in favour of a person who is not a member of his family shall be void.

Statement 2: Under the Payment of Gratuity Act, if an employee has no family at the time of making a nomination, any nomination made by such employee in favour of a person who is not a member of his family shall be void.

- A. Only statement I
- B. Only statement II
- C. Both the statements
- D. None of the statements

3. Which of the following statement is/are true?

Statement 1: Leave salary paid by an employer to his employees is a statutory benefit available to all employees working in an organization employing 10 or more employees

Statement 2: Gratuity is a statutory benefit available to an employee under "The Payment of Gratuity Act, 1972.

- A. Statement I
- B. Statement II
- C. Both Statement I and II
- D. Neither Statement I nor II

4. If an investment product promises a rate of 9% p.a. compounded half yearly, calculate the rate per half year compounded monthly?

- A. 4.50%
- B. 4.41%
- C. 4.33%
- D. 4.22%

5. The amount of advanced for illness from the PF shall not exceed the member's own contribution with interest in the fund or _____

- A. 24 months' salary (Basic + DA) of the member
- B. 6 months' salary (Basic + DA) of the member
- C. 36 months' salary (Basic + DA) of the member
- D. 12 months' salary (Basic + DA) of the member

6. To avail advance from PF for the member's own marriage, the marriage of his or her daughter, son, sister or brother or for the post matriculation education of his or her son or daughter, the member should have completed _____

- A. 2 years' membership
- B. 10 years' membership
- C. 5 years' membership
- D. 7 years' membership

Four Mark

1. A person saves Rs.1 lakh each year. His current age is 55 and there is an accumulation of Rs.34 lakh with him next time.



- I. What will be the amount available if he retires at 58? Earnings rate is 5%
- A. Rs.4266938
 - B. Rs.4626938
 - C. Rs.4269638
 - D. Rs.4268938
- II. How would the situation change if he puts back his retirement by 2 years?
- A. Rs.4199549
 - B. Rs.4919549
 - C. Rs.4915949
 - D. Rs.4951949

4. Which of the following statements are true?

Statement 1: Joint account can be opened with the spouse only under the Senior Citizen's Saving Scheme.

Statement 2: Joint account can be opened with any person under the Senior Citizen's Saving Scheme.

- A. Statement 1 only
- B. Statement 2 only
- C. Both the Statements
- D. None of the Statements

5. XYZ Ltd. Is offering to its investors a 2 year deposit bearing an interest rate of 6% p.a.compounded quarterly. Calculate the effective rate of interest that is made available on this deposit?

- A. 12.00%
- B. 6.31%
- C. 6.13%
- D. None of the above



Sample Paper-2					
One Mark		Two Mark		Four Mark	
Question	Answer	Question	Answer	Question	Answer
1	D	1	D	1(I)	A
2	A	2	A	1(II)	B
3	C	3	B	2	A
4	B	4	B	3	B
5	B	5	B	4	A
6	D	6	D	5	C
7	A	7	D	6	A
8	A	8	B	7	C
9	D	9	C	8	A
10	C	10	B	9	D
11	B	11	B	10	D
12	B	12	C	11	C
13	C	13	A	12	B
14	D	14	A	13	A
15	D	15	C	14	C
16	C	16	C	15	C
17	C	17	D		
18	A	18	D		
19	B	19	C		
20	C	20	C		
21	A				
22	B				
23	A				
24	C				
25	C				
26	A				
27	A				
28	A				
29	C				
30	A				
31	A				
32	B				
33	B				
34	D				
35	D				
36	B				
37	C				
38	A				
39	C				
40	B				



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