

## Chartered Retirement Advisory

### (Mock Test)

1. If the tax rate is 30% and the inflation rate is 7%, then what should be the rate of investment to neutralize the effect of both i.e. tax and inflation rates?
  - A. 15%
  - B. 14%
  - C. 10%
  - D. 23.3%
  
2. Mutual Funds are preferred investment vehicles because
  - A. The Cost of Managing funds is low
  - B. These funds are Professionally managed
  - C. Investment risk is low
  - D. All of the above
  
3. Risk attached to an investment refers to:
  - A. Uncertainty attached to the investment returns
  - B. Certainty attached with the investment returns
  - C. Variability of the expected returns
  - D. Both (a) and (c)
  
4. Mr. X deposits Rs.1000 at the end of every year for 10 years in a scheme that gives 12% p.a. interest. Calculate accumulated corpus
  - A. 17549
  - B. 19654
  - C. 2015
  - D. None of the above
  
5. Which of the following is the prime regulatory body of securities market in India?
  - A. Department of external affairs
  - B. IRDA

C. SEBI

D. NSE

6. \_\_\_\_\_ is the last step of financial planning process.

- A. Establishing client planner relationship
- B. Data collection and goal setting
- C. Implementation of plan
- D. Review the financial plan

7. At the earliest point in the relationship, you have disclosed in writing to Mr. X that you are authorized to sell or advise on a restricted range of products, and any other limitation of their capacity to serve him. You have complied with the Code of Ethics of \_\_\_\_\_.

- A. Compliance
- B. Objectivity
- C. Diligence
- D. Competence

8. In your initial meeting, to make an impression on your client, you discuss the Financial Plan made by you for a famous doctor and also his spending habits with Arvind. Which Code of Ethics prohibits you to have such a discussion with Arvind?

- A. Code of Ethics of Professionalism
- B. Code of Ethics of Confidentiality
- C. Code of Ethics of Fairness
- D. Code of Ethics of Integrity

9. An appropriate Financial Plan is influenced by one's \_\_\_\_\_

- A. Income
- B. Age
- C. Liquidity
- D. All of the above

10. Ravi CFP designee advertises in the local newspaper that he is an expert in Investment Planning and if the people invest through him then they can get a guaranteed return of 15% per annum on their investments. Has he violated any Code of Ethics, if yes then which one?

- A. Yes, he has violated the Code of Ethics of Professionalism.
- B. Yes, he has violated the Code of Ethics of Integrity.
- C. Yes, he has violated the Code of Ethics of Diligence.

D.No, he has only advertised about his capabilities and area of expertise and thus hadn't violated any code of ethics.

11. Karan wants to withdraw Rs. 1200/- at the end of each month for the next 5 years. He expects to earn 10% interest compounded monthly on his investments. What lump sum should he deposit now?

- A. Rs. 56949
- B. Rs. 58630
- C. Rs. 56478
- D. Rs. 59119

12. Money Market Funds are best for the investor who is looking for?

- A. Long term capital appreciation.
- B. Regular income.
- C. Liquidity and safety of capital
- D. Tax exception

13. The NAV of a mutual fund:

- A. Is always constant
- B. Keeps going up at a steady rate
- C. Fluctuates with market price movements
- D. Cannot go down at all

14. SEBI issues the guidelines for which of the following?

- A. Mutual funds
- B. Companies
- C. Primary market players
- D. Secondary market players
- E. All of the above

15. You invest Rs. 25,000 in a Debt Fund of Mutual Fund. After 2 years you redeem your units at Rs. 32,000. Ignoring indexation and surcharges, what is the capital gain tax on this transaction?

- A. Rs. 7000/-
- B. Rs. 700/-
- C. Rs. 1400/-
- D. Depends on the marginal rate of taxation

16. Sachin has been investing Rs. 3500 into a mutual fund at the end of each month for the last 10 years and has been earning a compound return of 12%, consisting entirely of capital appreciation. Does Sachin have enough money, after selling his investments to purchase his dream home for Rs.800000?
- A. No because he has Rs. 563595 after sale of investment and after paying long term capital gains tax  
 B. No because he has Rs. 644108 after sale of investment and after paying long term capital gains tax  
 C. No because he has Rs. 724622 after sale of investment and after paying long term capital gains tax  
 D. Yes because he has Rs. 805135 after sale of investment
17. Mira aged 30, is interested in planning for retirement. She saves Rs. 15000 per year (at the year end) in a bank fixed deposit earning 8.25% p.a. compounded annually until she retires at age 58. Her life expectancy is 80 years. What will be her corpus on the date of retirement? What is the fixed annual amount she can withdraw at the beginning of each year until age 80; in case she wishes to exhaust her corpus completely?
- A. 1348974, 87498  
 B. 1424894, 89458  
 C. 1491655, 137767  
 D. 1491655, 91613
18. Ms. Rekha is 45 years old and plans to retire at 50. Her life expectancy is 70 years. Ms. Sushma her Financial Planner, estimates that her client will require Rs.45000 in the first month after retirement. Inflation rate is 4% p.a. and the rate of return is 6% p.a. What will be the savings per year required in order to meet this?
- A. 1245879  
 B. 1478951  
 C. 1589420  
 D. 1689745
19. Akshay has a plan to save Rs 100000 each year for the next 28 years. If the amount is saved at the beginning of the year at an earning rate of 10%, what is the sum that will be accumulated by the time he retires?
- A. Rs 14763039  
 B. Rs 13420994  
 C. Rs 13420949  
 D. Rs 14763093
20. Ahmed's current annual expenditure is Rs. 100000/-. He is 30 years old and expects to retire at age 55. His annual expenses are estimated to rise by 6% p.a. and his life expectancy is 75 years. His post retirement annual expenses are estimated to be 80% of his pre-retirement expenses. What will be his expenses on the first year of his retirement?
- A. Rs. 3,47,425/-  
 B. Rs. 3,43,350/-  
 C. Rs. 4,29,187/-  
 D. Rs. 4,02,350/-

21. Gratuity is categorized as a \_\_\_\_\_ Plan.
- A. Defined Benefit
  - B. Defined Contribution
  - C. Hybrid
22. The limit of maximum deposit in case of P O MIS account opened in single name is \_\_\_\_\_
- A. Rs.500000
  - B. Rs.900000
  - C. Rs.300000
  - D. Rs.450000
23. The limit of maximum deposit in case of Senior Citizen Saving Scheme single account \_\_\_\_\_
- A. Rs.500000
  - B. Rs.900000
  - C. Rs.1500000
  - D. Rs.450000
24. An eligibility criterion for withdrawal from a Provident fund for purchase of a house is \_\_\_\_\_
- A. Membership of the fund for 10 years
  - B. Membership of the fund for 5 years.
  - C. membership of the fund for 15 years
  - D. None of the above
25. An immediate annuity will start
- A. After deferred period
  - B. After 10 years
  - C. Immediately
  - D. None of the above
26. The PPF account can be opened in:
- A. State bank of India or its subsidiaries
  - B. Head PO or any selection grade sub PO
  - C. Any nationalized bank
  - D. Any one of the above
27. The subscription to PPF account can be made in not more than:
- A. 12 installments
  - B. 2 installments
  - C. 1 installment
  - D. 30 installments

28. What is the minimum number of employees in an establishment for it to come under the purview of the Gratuity Act 1972?

- A. 20 or above 20
- B. Above 20
- C. 10 or above 10
- D. Above 10

29. Duration of Post office Monthly Scheme is

- A. 8 years
- B. 9 years
- C. 6 years
- D. 5 years

30. The relationship between inflation and the value of money is

- A. Proportionate
- B. Inverse
- C. Direct
- D. None of these

31. The maximum amount payable under gratuity act 1972 is.

- A. Rs. 20 lakh
- B. Rs. 3.50 lakh
- C. Rs. 2.5 lakh
- D. 5% of salary

32. When should a person start planning for retirement?

- A. As soon as he starts working
- B. In his thirties
- C. Even if he starts in his forties, it is ok
- D. In his Fifties

33. The Nifty has doubled since the last time you advised your client to reduce his equity exposure. The client is annoyed. What might be the most appropriate action to take immediately?

- A. Apologize for wrongly forecasting the market
- B. Change his asset allocation by increasing his equity exposure
- C. Help the client understand the logic of his asset allocation
- D. Rebalance his asset allocation by reducing equity investments

34. Which are the causes of Wealth Erosion?

- A. Inadequate insurance
- B. Increase in tax rates

- C. Rise in cost of living
- D. All of the above

35. Can an Employer pay a higher amount of gratuity to its employees than the maximum limit under Payment of Gratuity Act?

- A. Yes
- B. No

36. Which of the following is not a feature of PPF Act?

- A. Life insurance cover is also provided to the account holders.
- B. Minimum investment is Rs. 500 and Maximum investment is Rs. 150,000 per financial year.
- C. Investment up to Rs.150, 000 per annum qualified for Income Tax Rebate under Section 80 C of IT Act.
- D. It is free from any attachment under any order or decree of a court.

37. What is the reason to make Budgets?

- A. To determine how much money you have to spend
- B. To decide how you want to spend your money
- C. To determine how to spend money in the future
- D. To learn to live on less than available income
- E. To stay out of financial trouble
- F. All of above

38. What is ownership of an Asset called?

- A. Liability
- B. Security
- C. Equity

39. Which of the below is NOT a core component of Financial Planning?

- A. Investment Planning
- B. Tax Planning
- C. Retirement Planning
- D. None of the above

40. Which of the establishments are covered under the EPF and Misc. Provisions Act, 1952?

- a. An establishment having 10 or more employees
- b. An establishment having 20 or more employees
- c. An establishment having 30 or more employees
- d. An establishment having 40 or more employees

41. Which of the below is a Defined Contribution Plan?

- A. Gratuity
  - B. Voluntary Retirement Services
  - C. Leave Encashment Salary
  - D. Employees' Provident Fund
42. An incorrect estimation of lower inflation post-retirement would NOT result in\_\_\_\_\_.
- A. insufficient accumulated corpus
  - B. cutting back or retrenchment in expenses
  - C. reduced sustainability of corpus than desired
  - D. increased standard of living
43. The process of retirement planning would generally NOT involve\_\_\_\_\_.
- A. concentrating on maximizing returns from corpus after retirement to leave a sizable estate
  - B. projecting individual needs and goals into the future and making sound financial plan
  - C. making a plan for covering lifelong living expenses & disposition of assets at death
  - D. planning to maintain current lifestyle and providing cost of staying physically healthy after retirement
44. Real rate of return can also be referred as tax adjusted return.
- A. True, real rate of return accounts for tax expenses on return to arrive at actual income in hand.
  - B. False, real rate of return accounts for inflation effect on returns generated
  - C. False, real rate of return accounts for both – inflation and tax on returns generated
  - D. None of the above
45. Credit risk is that
- A. Your creditors will demand their money before time
  - B. Your borrowers will pay you before time
  - C. Your borrowers will not repay the loan or interest on time
  - D. Your creditors will reduce your credit rating
46. When is person eligible to take a loan from PPF a/c?
- A. 7<sup>th</sup> year
  - B. 3<sup>rd</sup> year
  - C. 6<sup>th</sup> year
  - D. 8<sup>th</sup> year
47. The financial planning process involves the following steps:
- A. Establishing the relationship
  - B. Identification of financial problems



- C. Review and revision of the plan
- D. Data gathering and goal settings.
- E. Preparation of written alternatives and recommendations.
- F. Implementation of agreed recommendations.

Select the one which represents the correct order:

- a) A, B, C, D, E, F
- b) A, D, B, E, F, C
- c) A, B, D, E, F, C
- d) A, D, B, F, E, C

48. What are the qualities of a good Financial Planner?

- A. Technical Skills
- B. Communication Skills
- C. Inter Personal Skills
- D. Only a) and b)
- E. All of the above

49. Which of the following applies at the time alternatives and recommendations are made?

- A. the plan should be flexible enough to cope with the client's situation should it change in any way
- B. the main focus should be on the performance of recommended investments
- C. the client should be asked to think about plans for the future
- D. all of the above

50. What would be the main reason for a small investor using a mutual fund instead of direct investment in shares?

- A. lower market risk
- B. lower charges
- C. access to broad asset allocation
- D. higher returns

## Answers

1. C
2. D
3. D
4. A
5. C
6. D
7. B
8. B
9. D
10. B
11. C
12. C
13. C
14. E
15. D
16. D
17. C

- 18. C
- 19. D
- 20. B
- 21. A
- 22. D
- 23. C
- 24. B
- 25. C
- 26. D
- 27. A
- 28. C
- 29. D
- 30. B
- 31. A
- 32. A
- 33. C
- 34. D
- 35. A

- 36. A
- 37. F
- 38. C
- 39. D
- 40. B
- 41. D
- 42. D
- 43. A
- 44. B
- 45. C
- 46. A
- 47. B
- 48. E
- 49. A
- 50. C