

Certificate in Financial Planning & Advisory (Mock Test)

1. Definition of Financial Planning is
 - a) "Financial Planning is the process of meeting one's life goals through the proper management of personal finances."
 - b) "Financial Planning is the process of meeting one's life goals."
 - c) "Financial Planning is the proper management of personal finances."
 - d) None of the above

2. Number of steps of financial planning are
 - a) 4
 - b) 5
 - c) 6
 - d) 7

3. The first step of financial planning process is
 - a) Gathering client data, including goals
 - b) Analyzing and evaluating current situation and needs
 - c) Establishing and defining client relationship
 - d) Implementing the recommendations

4. The last step of financial planning process is
 - a) Gathering client data, including goals
 - b) Monitoring and reviewing the Financial Plan
 - c) Analyzing and evaluating current situation and needs
 - d) Developing and presenting recommendations

5. This is not the most "common" life goals are
 - a) Children's future including education and marriage
 - b) Corpus for starting own business
 - c) Buying a house
 - d) Comfortable Retirement

6. While offering solutions to clients, the following aspects of personal finance need not be analysed as a whole rather than seeing them in isolation
 - a) Income
 - b) Expenses
 - c) Risk Tolerance
 - d) Estate

7. Common factors which have compelled people to seek professional financial advisory services include
 - a) Longer life span and lack of social security
 - b) Proliferation of numerous products
 - c) All the above
 - d) None of the above

8. Scope of Advisory Services include
 - a) Insurance Planning
 - b) MF Planning
 - c) Currency Planning
 - d) Derivative Planning

9. Net Worth is
 - a) Assets + Liabilities
 - b) Assets + Liabilities - Existing Insurance
 - c) Assets - Liabilities + Existing Insurance
 - d) Assets - Liabilities

10. **Cash and cash equivalents** are example of
 - a) Cash Flows
 - b) Net worth
 - c) Liabilities
 - d) Assets

11. **Short-term investments** — include investment options bought and held for sale or till maturity for a period of
 - a) Upto 3 months
 - b) From 3 months to a year
 - c) Upto 3 years
 - d) None of the above

12. Land normally is considered
 - a) Liquid assets
 - b) Short-term investments
 - c) Long-term investments
 - d) Medium term investments

13. Difference between physical and financial assets is basis
 - a) Tangibility
 - b) Riskiness
 - c) Both the above
 - d) None of the above

14. Three categories of Financial Assets are
 - a) Liquid, Metals, Equity
 - b) Equity, Liquid, Fixed Income
 - c) Real Estate, Equity, Fixed Income
 - d) Commodities, Equity, Debt

15. Home Loans are example of
 - a) Current Liability
 - b) Current Assets
 - c) Common Assets

- d) Common Liabilities
16. There are tax sops are available for
- Car loans
 - Card Loans
 - Personal Loans
 - Home Loans
17. Which of the following statements is true
- An Income and Expenditure statement shows the incomes and expenses incurred for a particular time period
 - An Income and Expenditure statement shows the incomes and expenses incurred for a particular point in time
 - Rental income is a expenditure
 - Insurance premiums are example of sources of income
18. This ratio indicates what percentage of assets are cash or can be converted into cash within a short period.
- Saving Ratio
 - Debt Equity Ratio
 - Liquidity Ratio
 - Return on Equity
19. This factor does not affect the risk profile of a customer
- Investor's age
 - Family situation
 - Food habits
 - Current financial picture
20. Normally, how many months' expenses should be put aside so that they can be liquidated at a short notice
- 0-3 months
 - 7-9 months
 - 7-9 months
 - 6-12 months
21. Which of the following does NOT fall within the scope of financial planning?
- Work History
 - Equity Assets
 - Cash Reserves and Equivalentents
22. A common type of Insurance that falls within the scope of financial planning is known as property & _____ insurance.
- Mortgage
 - Renters
 - Casualty

23. As you move through the scope of financial planning from Cash Reserves and Equivalents to Income Assets to Equity Assets to Tangible Assets, what happens?
- Risk increase, return decreases
 - Risk and return both increase
 - Risk and return both decrease
24. The purpose of Cash Reserves and Equivalents is to provide a financial cushion for emergencies, repairs, and other _____ cash needs.
- Expected
 - Unexpected
 - Large
25. Which of the following is NOT an example of Cash Reserves and Equivalents?
- Fixed Annuities
 - Money Market Accounts
 - Life Insurance Cash Values
26. The purpose of Income Assets is to provide a way for investors to obtain _____.
- Market Exposure
 - Large Returns
 - Income
27. Which of the following is an example of an Income Asset?
- Rental Property
 - Variable Annuity
 - Corporate, Municipal, State & Federal Bonds
28. The purpose of Equity Assets is to provide a way for investors to achieve _____.
- Capital Appreciation
 - Government Guarantees
 - Tax Deductions
29. Which of the following is NOT an example of an Equity Asset?
- Income Funds
 - Mutual Funds
 - Variable Annuities
30. Tangible Assets are _____ assets.
- Guaranteed
 - Tax Advantaged
 - Hypothetical
31. Which of the following is an example of a Tangible Asset?
- Stocks
 - Oil & Gas Partnerships
 - Corporate, Municipal, State & Federal Bonds

32. Improving current standard of living, minimize income taxes and protect family in case of premature death are all examples of _____ of financial planning.
- Names
 - Types
 - Goals
33. A typical goal of financial planning is to pass _____ to surviving family members.
- Debt
 - Business interests
 - Loans
34. A typical goal of financial planning is to provide for _____ in case of disability.
- Minimum estate taxes
 - Legal defense
 - Ongoing income
35. A typical goal of financial planning is to increase net worth through _____.
- Savings and investments
 - Borrowing
 - Lottery winnings
36. A typical goal of financial planning is to provide funds for children's _____.
- Amusement
 - Education
 - Child Care
37. What is the traditional primary role of a Registered Representative?
- To coordinate various aspects of clients' financial affairs such as investments, insurance and retirement planning.
 - To minimize a client's tax burden through the use of credit sheltered trusts.
 - To facilitate, or broker, customer transactions in financial products such as stocks, bonds and mutual funds.
38. What is the traditional primary role of a Financial Planner?
- To coordinate various aspects of clients' financial affairs such as investments, insurance and retirement planning.
 - To minimize a client's tax burden through the use of credit sheltered trusts.
 - To facilitate, or broker, customer transactions in financial products such as stocks, bonds and mutual funds.
39. What is required for a person to call themselves a financial planner and charge a fee for service?
- A Series 7 license
 - A Certified Financial Planner (CFP) designation
 - Nothing

40. How are Registered Representatives compensated?
- By charging a fee on a percentage of assets managed
 - With an up front fee
 - By charging a commission on products and services sold
41. A Financial Planner may avoid requesting a copy of a client's tax return to avoid what?
- Charging an unnecessary fee
 - Giving tax advice
 - Unnecessary work
42. During the Information Gathering & Goal Setting step in the financial planning process, the Financial Planner _____.
- Reviews Assets, Liabilities, Current and Projected Income, Insurance Coverage and Investments
 - Recommends short and long term investment strategies
 - Gathers Quantitative and Qualitative information
43. During the Evaluation step in the financial planning process, the Financial Planner provides an overview of services provided and _____.
- Details fees for services
 - Outlines investment opportunities
 - Recommends stocks
44. A client's financial Action Plan should include what?
- A negotiation of fees
 - Time frames and responsibility assignments
 - Tentative observations and preliminary recommendations
45. During the Information Analysis & Plan Development step in the financial planning process, the Financial Planner _____.
- Reviews legal documents
 - Presents the Action Plan
 - Monitors the plan
46. A person takes insurance for Rs. 5 Lakhs from one insurance company and Rs. 3 Lakhs from another for the asset worth Rs. 8 Lakhs. In this case when there is a loss of Rs. 6 Lakhs then the total sum paid by the two insurance companies put together will be _____.
- Rs. 5 Lakhs
 - Rs. 6 Lakhs
 - Rs. 8 Lakhs
 - None of the above
47. Prakash earns Rs. 55,000 p.a. He estimates that his family would require 80% of his income in the event of his death or disability. Using the annuity approach, what is the required lump sum if the investment returned 5% per annum?
- Rs. 2,750,000

- b) Rs. 2, 20,000
 c) Rs. 1, 40,000
 d) Rs. 8, 80,000
48. Onkar estimates opportunity cost of investment to be 9% compounded annually. Which of the following is most suitable option for him?
 a) Receive Rs. 5, 800 at beginning of each year for 16 years
 b) Receive Rs. 5, 600 at the end of each year for 19 years
 c) Receive Rs. 50, 000 today
 d) Receive Rs. 1, 20, 000 at the end of 10 years
49. Jagdish is to retire at the age of 55 years and expects to live till 75. He needs annual income of Rs. 1,80, 000 during the years of retirement. If the investment grows @ 7% p.a., calculate accumulated corpus required by him.
 a) Rs. 20, 40, 407
 b) Rs. 22, 29, 285
 c) Rs. 19, 68, 840
 d) Rs. 19, 39, 425
50. X Ltd has Rs. 10,00,000 worth of debentures outstanding. They are to be redeemed 5 years from now. If the interest rate is 12% p.a., how much money should be set aside and invested at the end of each year in a sinking fund to accumulate the funds needed for redemption?
 a) 140544.4
 b) 157409.73
 c) 136792.67
 d) 172491.05

Answers

Questions	Answer
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Questions	Answer
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Questions	Answer
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1	A
2	C
3	C
4	B
5	B
6	C
7	C
8	A
9	D
10	D
11	B
12	C
13	A
14	B
15	D
16	D
17	A
18	C
19	C
20	B

21	A
22	C
23	B
24	B
25	A
26	C
27	C
28	A
29	A
30	B
31	B
32	C
33	B
34	C
35	A
36	B
37	C
38	A
39	C
40	C

41	B
42	C
43	A
44	B
45	A
46	B
47	D
48	A
49	A
50	B