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Chartered Wealth Manager (CWM) Global Examination

AAFM GLO_CWM_LVL_1

Version Demo

Total Demo Questions: 121

Total Premium Questions: 1218

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Topic Break Down

Topic	No. of Questions
Topic 1, Financial Planning, Wealth Management and Financial Services	372
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Topic 4, Tax Planning and Estate Planning	315
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QUESTION NO: 1

What is the most essential characteristic to be in existence at the stage of establishing client relationship?

A. Collection of personal details

B. Establishing trust and confidence

C. Data gathering from the client

D. Providing the client with an healthy atmosphere

ANSWER: B

Explanation:

Establishing trust and confidence is the essential characteristic at the outset of a client relationship because wealth-management advice depends on a client being willing to disclose sensitive information, discuss goals candidly, and rely on the professional's recommendations. Trust is the foundation for meaningful engagement: it enables clear communication about the client's circumstances, objectives, time horizon, risk tolerance, and concerns, while confidence supports the client's willingness to participate in the planning process and act on suitable advice. A relationship built on trust also requires the adviser to demonstrate competence, integrity, transparency, confidentiality, and a genuine focus on the client's interests. These qualities create the conditions for an enduring professional relationship rather than a merely transactional interaction. The CFA Institute describes trust as central to the investment profession and emphasizes that ethical conduct and putting client interests first are critical to earning and maintaining it. Similarly, CFP Board's standards frame the adviser-client relationship around duties of loyalty and care, which reinforce the confidence required for effective financial planning. Accordingly, establishing trust and confidence must precede and underpin the practical information-gathering activities that follow. See CFA Institute ethics and standards and CFP Board Code of Ethics and Standards of Conduct.

QUESTION NO: 2

An approved superannuation fund must have a minimum of _______ trustees

A. 2

B. 3

C. 4

D. No restriction is applicable

ANSWER: A

Explanation:

The correct answer is **2**. In the Indian tax framework, an approved superannuation fund is a fund established by an employer to provide superannuation benefits to employees and approved under Part B of the Fourth Schedule to the Income-tax Act, 1961. Its governance must satisfy the prescribed conditions for approval, including the requirement that the fund be administered through a trust. The relevant rules require a minimum of two trustees, which ensures that the fund's assets and benefit administration are not controlled by a single individual. This trustee structure supports fiduciary oversight, continuity of administration, and appropriate handling of members' retirement benefits in accordance with the trust deed and applicable tax rules. Therefore, a fund with two trustees meets the stated minimum trustee requirement for an approved superannuation fund. The statutory provisions governing approved superannuation funds appear in Part B of the Fourth Schedule to the Income-tax Act, while the associated Income-tax Rules set out operational conditions for approval and administration. See the official Income-tax Act, 1961 and the official Income-tax Rules, 1962.

QUESTION NO: 3

Under a Personal Accident policy Mr. Ajay has taken, what percentage of sum assured he can get if he losses his one eye and one limb in an accident and under which type of benefit?

A. 100% in PTD

B. 50% in PPD

C. 100% in TTD

D. 50% in PPD

ANSWER: A

Explanation:

“100% in PTD” is correct. Under the standard benefit structure used in Personal Accident insurance, the combined accidental loss of one limb and the sight of one eye is treated as a permanent total disablement event. The benefit is therefore payable at 100% of the applicable sum insured (also called the capital sum insured), subject to the policy’s terms, exclusions, and any applicable limits stated in the schedule.

Permanent total disablement is intended to cover severe, irreversible injuries that result in complete and lasting loss of functional capacity as defined by the policy. Insurers commonly include a table of specified injuries in their policy wording, and this table assigns 100% of the capital sum insured to the combined loss of one limb and one eye. The assessment is based on the permanent nature of the loss resulting directly from the accident, rather than on temporary inability to work. The exact wording, definitions of “limb” and “loss of sight,” and claims evidence requirements should always be verified against the insured’s issued policy document. See the Personal Accident policy wording and the Insurance Regulatory and Development Authority of India for consumer and regulatory information.

QUESTION NO: 4

The benefits of exemption of one self occupied house is available to

I.	Individuals
II.	HUF
III.	Company
IV.	Body of Individuals

A. I only

B. I and II only

C. I, II, and III only

D. All of the above

ANSWER: B

Explanation:

“I and II only” is correct because the income-tax treatment for a self-occupied house property is specifically available where the owner is an individual or a Hindu undivided family. Under section 23(2) of India’s Income-tax Act, the annual value of a house, or qualifying part of a house, is taken as nil when it is in the owner’s occupation for residential purposes, subject to the statutory conditions. The provision is framed expressly for an individual or Hindu undivided family; consequently, the benefit follows the ownership and residential-use requirements prescribed for those eligible taxpayers. This nil annual-value treatment is commonly described as the self-occupied-property benefit and prevents notional rental income from being assessed for the qualifying property. The applicable rules, including circumstances such as inability to occupy the house because of employment elsewhere and the treatment of more than one self-occupied property, must be considered under the current wording of section 23. The statutory provision can be consulted in the Income-tax Act, 1961 on India Code. The Income Tax Department also provides practical guidance on income from house property.

QUESTION NO: 5

Under pure flexible exchange rate regime, ________ is not maintained

A. Capital account

B. Current account

C. Official reserve account

D. None of the above

ANSWER: C

Explanation:

Under a pure flexible, or freely floating, exchange-rate regime, the exchange rate is determined by demand and supply in the foreign-exchange market without routine central-bank intervention to hold the currency at a particular value. Consequently, there is no need to use official reserve transactions to finance a balance-of-payments imbalance or to defend a fixed exchange-rate parity. The relevant answer is therefore *Official reserve account*.

Official reserve assets are foreign assets controlled by monetary authorities and held for purposes such as intervention in currency markets, meeting external-payment needs, and supporting confidence in the currency. A country can still own reserve assets while its currency floats, but under the *pure* flexible-rate assumption, reserve-account transactions are not maintained as an active balancing mechanism. Instead, movements in the exchange rate help bring external receipts and payments into equilibrium. This is the key distinction intended by the question: adjustment occurs through the market price of foreign currency rather than through official financing operations.

The International Monetary Fund defines reserve assets and their role in external-sector statistics in its Balance of Payments and International Investment Position Manual, sixth edition. For a concise discussion of exchange-rate arrangements and floating regimes, see the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions.

QUESTION NO: 6

The minimum amount for secured lenders to take the benefit of SARFAESI is _______.

A. Rs. 1 lakh

B. Rs. 5 lakh

C. Rs. 10 lakh

D. Not specified

ANSWER: A

Explanation:

Rs. 1 lakh is correct because section 31(h) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 excludes cases in which the amount due is less than one lakh rupees. Accordingly, a secured creditor can invoke the Act's enforcement framework only where the borrower's dues meet or exceed this threshold, subject to the Act's other applicable conditions. The provision is designed to keep very small-value defaults outside the SARFAESI enforcement mechanism. In practical wealth-management and lending analysis, this threshold should be considered alongside the separate statutory requirement that the amount due must not be less than 20% of the principal amount and interest thereon, as stated in section 31(i). The Rs. 1 lakh figure is therefore the minimum monetary threshold asked for in this question, rather than an unspecified amount. The authoritative statutory text is available through India Code: SARFAESI Act, 2002. A consolidated version of the Act, including section 31 exclusions, is also published by the Reserve Bank of India.

QUESTION NO: 7

Calculate the Paid up Value (PV) under a policy with the following particulars

Sum assured (SA)	Rs. 25,000
Plan and terms	25 Years
Date of commencement	14/06/1989
Mode of payment	Quarterly
Last Premium paid due on	14/03/2007

A. Rs. 8,000

B. Rs. 17,750

C. Rs. 20,000

D. Rs. 25,000

ANSWER: B

Explanation:

Rs. 17,750 is the paid-up value obtained by applying the standard paid-up-value proportion to the policy particulars shown. When a traditional life insurance policy becomes paid up after the required minimum number of premiums has been paid, its future premium obligation ends, but the policy continues for a reduced benefit. The basic calculation is the original sum assured multiplied by the ratio of premiums paid to the total premiums originally payable under the contract. Applying the stated sum assured and the relevant completed-premium proportion produces a reduced sum assured of Rs. 17,750. This amount represents the policy's paid-up benefit before considering any separate treatment required for vested bonuses, guaranteed additions, or riders under the specific policy terms. In practice, the insurer's policy schedule and paid-up provisions control the precise calculation, including whether any bonus is added separately. This approach reflects the general principle that non-forfeiture benefits preserve a proportionate amount of life cover after premium payments cease. Policyholders should also consult the insurer's benefit illustration and contract conditions, as required disclosures and policy-servicing practices are regulated by the Insurance Regulatory and Development Authority of India. See the IRDAI website and the IRDAI Policyholder portal for policyholder guidance.

QUESTION NO: 8

Identify the stage in the money laundering process where funds are being constantly moved or re-characterised to conceal their origins.

This stage is known as:

A. placement

B. layering

C. integration

D. All of the above

ANSWER: B

Explanation:

Layering is the money-laundering stage in which illicit funds are repeatedly moved, converted, transferred, or otherwise re-characterised to obscure their criminal source and make the audit trail difficult to follow. This may involve numerous bank transfers, transactions through multiple accounts or jurisdictions, purchases and sales of financial instruments, or conversion between asset types. The essential purpose is concealment: creating layers of transactional complexity between the funds and the predicate offence from which they arose. In wealth-management practice, unusual transaction patterns without a clear economic rationale—particularly rapid movements across accounts, entities, products, or countries—can be indicators requiring enhanced scrutiny and, where appropriate, reporting under applicable anti-money-laundering requirements. The Financial Action Task Force describes laundering techniques as often involving complex financial transactions intended to disguise the source and ownership of funds. The United Nations Office on Drugs and Crime similarly identifies layering as the phase intended to separate illicit proceeds from their source through multiple transactions. See the FATF Recommendations and the UNODC money-laundering overview.

QUESTION NO: 9

You are given the following set of data on security ABC:

Probability	Return
0.10	0.30
0.80	0.15
0.10	0.00

Calculate the expected return on security ABC?

A. 0.12

B. 0.15

C. 0.13

D. 0.14

ANSWER: B

Explanation:

The expected return on security ABC is **0.15**, or 15%. Expected return is the probability-weighted average of all possible returns: each state-of-the-world return is multiplied by the probability assigned to that state, and the resulting products are added together. In notation, this is $E(R) = \Sigma[p(R_i) \times R_i]$. Applying that process to the probability and return observations shown in the supplied data produces a total of 0.15. Expressing the result as a decimal is appropriate because the answer choices are stated in decimal-return form; equivalently, 0.15 represents a 15% expected return. This measure is forward-looking: it summarizes the mean return implied by the stated distribution of possible outcomes, rather than identifying the return in any one particular scenario. The calculation is a core component of portfolio and security analysis because expected return provides the return input used when comparing investments and evaluating the risk-return trade-off. For further discussion of the probability-weighted expected-return calculation, see Investopedia's expected return overview and Corporate Finance Institute's expected return guide.

QUESTION NO: 10

A property has 120 rooms and each room has a monthly rent of Rs.750. The occupancy rate throughout the year is 80% and maintenance expenses per year works out to be

Rs.3,00,000. Capitalization rate is 12%. Calculate the value of the property?

A. Rs.45 lacs

B. Rs.47 lacs

C. Rs.46 lacs

D. Rs.44 lacs

ANSWER: B

Explanation:

Rs.47 lacs is correct because the income-capitalization approach values an income-producing property by dividing its net operating income by the applicable capitalization rate. First, the potential annual rent is calculated as 120 rooms × Rs.750 per month × 12 months, which equals Rs.10,80,000. Applying the stated 80% occupancy rate gives effective annual rental income of Rs.8,64,000. After deducting annual maintenance expenses of Rs.3,00,000, the net operating income is Rs.5,64,000. Capitalizing this income at 12% gives Rs.5,64,000 ÷ 0.12 = Rs.47,00,000, or Rs.47 lacs. This method is appropriate because the capitalization rate represents the required annual return from the property's stabilized net operating income. The calculation uses operating income after recurring operating expenses, rather than gross potential rent, so it reflects the economic benefit attributable to the owner. For a general explanation of the income capitalization approach and the relationship between net operating income and capitalization rate, see the Appraisal Institute's real-estate finance resources and Investopedia's overview of capitalization rate.

QUESTION NO: 11

Which of the following is true of Reverse Repo rate?

A. Determined by free market forces

B. Lower than repo rate

C. benchmark for long term rates

D. Part of funding cost for commercial banks

ANSWER: B

Explanation:

Lower than repo rate is correct in the conventional monetary-policy framework described by the Reserve Bank of India (RBI). A reverse repo transaction allows the central bank to absorb surplus liquidity from banks: commercial banks place funds with the RBI against eligible securities and earn the reverse repo rate. The repo rate, by contrast, is the rate at which banks can obtain short-term liquidity from the RBI against collateral. Setting the reverse repo rate below the repo rate creates a policy-rate corridor and gives banks an incentive structure consistent with liquidity management: borrowing from the RBI carries a higher rate than depositing surplus funds with it earns. This spread helps the central bank influence short-term money-market conditions, bank liquidity, and transmission of monetary policy. The RBI identifies the reverse repo rate as the rate at which it borrows money from banks, while the repo rate is the rate at which it lends to banks. See the RBI's explanation of repo and reverse repo operations and its monetary policy operating framework. Although the precise operational tools and rates may change over time, the examined relationship is that the reverse repo rate is lower than the repo rate.

QUESTION NO: 12

The following parameters are available for two mutual funds:

Fund	A	B
Funds expected return	12%	10%
Standard Deviation	18	12
Risk free rate is 8 %.		

Calculate Sharpe measure?

A. 0.10, 0.33

B. 0.8, 0.33

C. 0.22, 0.17

D. 0.18, 0.25

ANSWER: C

Explanation:

The correct Sharpe measures are **0.22, 0.17**. The Sharpe ratio measures return earned per unit of total risk, after allowing for the risk-free rate. For each mutual fund, calculate excess return by subtracting the stated risk-free return from the fund's expected return, then divide that excess return by the fund's standard deviation: Sharpe ratio = (fund return − risk-free rate) ÷ standard deviation. Applying the parameters supplied in the table produces approximately 0.22 for the first fund and 0.17 for the second fund. The figures are dimensionless and should be interpreted as compensation for total volatility: the first fund delivers about 0.22 units of excess return for each unit of volatility assumed, while the second delivers about 0.17. This calculation uses standard deviation because the Sharpe measure treats both upward and downward variation in returns as risk. It is therefore especially useful when comparing funds or portfolios on a common risk-adjusted basis, provided that the return periods, risk-free rate, and volatility measurements are consistent. For the underlying definition and formula, see CFA Institute—Portfolio Performance Evaluation and Investor.gov—Sharpe Ratio.

QUESTION NO: 13

Indicate whether the following statement is True or False.

Money launderers often use professional intermediaries to layer their illegal funds. These professional intermediaries include lawyers, company formation agents, accountants and other professionals working in non-financial institutions. A banker is not generally regarded as a professional intermediary because he works in a financial institution.

A. TRUE

B. FALSE

ANSWER: A

Explanation:

The statement is true. Money launderers may use professional intermediaries, often described as gatekeepers, to establish companies, trusts, accounts, contractual arrangements, or ownership structures that can obscure the source, ownership, and movement of illicit assets. Lawyers, accountants, and trust or company service providers are examples of designated non-financial businesses and professions whose specialist services may be used in such arrangements. Their role can be especially relevant to layering because legal entities and cross-border structures can create distance between criminal proceeds and their beneficial owner.

A banker may be involved in financial transactions and is subject to anti-money-laundering controls, but a bank and its staff are generally classified within the financial sector rather than as professional intermediaries in the non-financial-profession sense used here. This distinction is reflected in the Financial Action Task Force framework, which treats financial institutions separately from designated non-financial businesses and professions. FATF identifies lawyers, accountants, and trust and company service providers among the latter group, while banks fall under the separate financial-institution category. See the FATF Recommendations and FATF's risk-based guidance for legal professionals.

QUESTION NO: 14

Which of the following statements is/are correct?

(i)	It is necessary to attest the will by 2 persons
(ii)	It is required that 2 persons who attest the will sign in the presence of each other
(iii)	Attester is not entitled to read the will before attesting it

A. Only (i)

B. Only (i) & (ii)

C. Only (i) & (iii)

D. All of the above

ANSWER: C

Explanation:

The correct selection is *Only (i) & (iii)*, consistent with the answer key supplied in the source question. However, the substantive text of statements (i), (ii), and (iii) appears only in the referenced image and was not included in the provided OCR or JSON. Consequently, the underlying propositions cannot be independently verified from the material available here. In a wealth-management examination, a "which statements are correct" item should be evaluated by testing each proposition against the relevant professional, regulatory, tax, investment, or planning principle, and then choosing the response that matches precisely the set of valid statements. The supplied key identifies statements (i) and (iii) as that valid set. A complete quality review would require the image content, including all statement wording, to confirm that the question is unambiguous and that the keyed selection is supported by the applicable CWM learning material. For professional context on the role and standards associated with the Chartered Wealth Manager designation, see the AAFM India website and the American Academy of Financial Management website.

QUESTION NO: 15

Consider the following information for three mutual funds:

	Mean Return %	Beta	Standard Deviation
Reliance	14	1.1	3.5
HDFC	12	0.9	4.20
Franklin Templeton	17	1.2	3.85

Market Return 10%

Risk free return is 6%.

Calculate the Risk Adjusted Return on the basis of Jensen measure (%)?

A. 3.45, 7.78, 4.38

B. 2.50, 8.50, 6.60

C. 3.60, 2.40, 6.20

D. 3.65, 8.88, 9.36

ANSWER: C

Explanation:

Jensen's measure, also called Jensen's alpha, calculates the return earned above the return required by the Capital Asset Pricing Model for a fund's systematic risk. For each mutual fund, the calculation is: Jensen's alpha = actual fund return − [risk-free rate + beta × (market return − risk-free rate)]. Here, the market risk premium is 4% because the 10% market return exceeds the 6% risk-free return by 4 percentage points. Applying each fund's beta from the table to that 4% premium, adding the 6% risk-free rate, and then subtracting that required CAPM return from the corresponding actual fund return gives 3.60%, 2.40%, and 6.20%, respectively. Thus, *3.60, 2.40, 6.20* is the correct sequence of risk-adjusted returns under the Jensen measure. A positive Jensen alpha indicates that the fund generated a return greater than the return CAPM would require for its level of market exposure. This measure is particularly useful when comparing actively managed funds because it evaluates performance after accounting for beta rather than merely comparing raw returns. See the CFA Institute's portfolio performance evaluation refresher and Investopedia's overview of Jensen's measure.

QUESTION NO: 16

A trustee commuting a breach of trust not table to pay interest except

(i)	Where he, has actually received interest
(ii)	Where the breach consists of unreasonable delay in paying trust money to the beneficiary
(iii)	Where the breach consists in future to invest trust money & Accumulate the interest or dividends there.

A. (i) & (ii)

B. (ii) & (iii)

C. Only (ii)

D. All of the above

ANSWER: D

Explanation:

“All of the above” is correct because the statutory rule on a trustee’s liability for interest after a breach of trust identifies the stated circumstances as exceptions to the general position. A trustee may be charged interest where the trustee has actually received interest on trust money, where the breach consists of an unreasonable delay in paying trust money to the beneficiary, and where the trustee ought to have received interest but did not do so. These situations ensure that the beneficiary is compensated for the use, retention, or lost earning capacity of trust assets attributable to the trustee’s conduct.

Under the Indian Trusts Act, 1882, the court determines the appropriate rate of simple interest in the applicable circumstances. The provision also gives the court a more stringent remedy in cases involving fraud, under which compound interest may be imposed. The underlying principle is restorative: the trustee must account for the financial benefit received from trust property, or for income that prudent administration should have generated, so the trust and its beneficiaries are placed as nearly as possible in the position they would have occupied absent the breach. See section 23 of the Indian Trusts Act, 1882 and the corresponding text at Indian Kanoon.

QUESTION NO: 17

What is the interest rate corresponding to a discount rate of 10%?

A. 11.11%

B. 9.09%

C. 11.15%

D. 9.15%

ANSWER: A

Explanation:

The correct answer is **11.11%**. For an effective discount rate, the discount is expressed as a proportion of the amount due at the end of the period, whereas an effective interest rate is expressed as a proportion of the amount invested at the beginning of the period. The relationship is $i = d / (1 - d)$, where d is the effective discount rate and i is the corresponding effective interest rate. Substituting a discount rate of 10%, or 0.10, gives: $i = 0.10 / (1 - 0.10) = 0.10 / 0.90 = 0.111111...$. Converting this decimal to a percentage yields 11.1111…%, which rounds to 11.11%.

This can also be seen using a one-year illustration. If the amount payable at year-end is 100, a 10% discount means its present value is 90. The interest earned from 90 to reach 100 is 10; measured against the initial investment of 90, that return is 10/90, or 11.11%. This distinction between the base used for discount and interest is fundamental in time-value-of-money calculations. See the discounting overview and the OpenStax discussion of time value of money.

QUESTION NO: 18

What is the effective rate of interest for 10% compounded monthly, quarterly, semiannually?

A. 10.47%, 10.38%, 10.25%

B. 10.45%, 10.40%, 10.23% C. 10.42%, 10.38%,10.25%

C. 10.47%, 10.36%, 10.25%

ANSWER: A

Explanation:

The correct result is **10.47%, 10.38%, 10.25%**. These are the effective annual interest rates corresponding to a nominal annual rate of 10% under monthly, quarterly, and semiannual compounding, respectively. The effective annual rate accounts for interest being credited and itself earning interest during the year. It is calculated as $(1 + r/m)^m - 1$, where r is the stated nominal annual rate and m is the number of compounding periods per year.

For monthly compounding, applying a periodic rate of 10% divided by 12 over 12 periods gives approximately 10.4713%, which rounds to 10.47%. For quarterly compounding, applying 10% divided by 4 over four periods gives approximately 10.3813%, which rounds to 10.38%. For semiannual compounding, applying 10% divided by 2 over two periods gives exactly 10.25%. This sequence appropriately declines as compounding becomes less frequent, because there are fewer occasions during the year for credited interest to compound. The methodology is consistent with the effective-rate definition used in standard time-value-of-money calculations; see Investor.gov's compound-interest overview and CFA Institute's time-value-of-money material.

QUESTION NO: 19

You own 3 scripts with their market value at Start of year end of year (3rd) total growth.

X	200000	245000	22.5%
Y	300000	375000	25%
Z	500000	430000	(14.0%)

Calculate the CAGR of portfolio.

A. 5%

B. 10.26%

C. 1.64%

D. 11.16%

ANSWER: C

Explanation:

The correct portfolio CAGR is **1.64%**. CAGR expresses the constant annual compound rate that converts the portfolio's beginning value into its ending value over the full three-year holding period. The figures in the table show that the portfolio's aggregate value increased by 5% over the three years. Therefore, the calculation uses the geometric annualization formula: CAGR = (Ending Portfolio Value ÷ Beginning Portfolio Value)$^{1/3}$ − 1. Substituting the cumulative growth factor gives $(1.05)^{1/3} - 1 = 0.016396$, or approximately 1.64% per year.

For a portfolio containing several securities, the relevant inputs are the total market values of all holdings at the beginning and end of the measurement period. This appropriately reflects each security's contribution according to its market-value weight, rather than averaging the individual security returns. CAGR is a geometric return measure, so it accounts for compounding across the entire multi-year interval and is the appropriate annualized measure when comparing beginning and ending portfolio values. This treatment is consistent with the geometric-return principles used in investment-performance reporting; see the CFA Institute GIPS standards resources and the CAGR definition and formula described by Investopedia.

QUESTION NO: 20

Mr. Hitesh Shah has a portfolio with 23 different equities. The portfolio increased by 20% and has a beta of 1.50. Utilizing the Capital Asset Pricing Model, compute by what percent the market changed (round to nearest 0.5%) (Assume risk free rate of 5%)?

A. 14%

B. 15%

C. 16.50%

D. 17%

ANSWER: B

Explanation:

The correct answer is **15%**. Under the Capital Asset Pricing Model, the portfolio's expected return is calculated as the risk-free rate plus beta multiplied by the market risk premium: portfolio return = risk-free rate + beta × (market return − risk-free rate). Substituting the stated figures gives 20% = 5% + 1.50 × (market return − 5%). First, the portfolio's return above the risk-free rate is 15% (20% − 5%). Dividing this excess return by the beta of 1.50 produces a market risk premium of 10%. Adding the 5% risk-free rate back to that premium gives a market return of 15%. Therefore, the market changed by 15%, which already meets the requested rounding convention of the nearest 0.5%.

Beta measures the sensitivity of the portfolio's return to movements in the market; a beta of 1.50 means its excess return is modeled as 1.5 times the market's excess return. The fact that the portfolio contains 23 equities does not alter this calculation because the provided portfolio beta is the relevant CAPM input. See the CFA Institute discussion of CAPM and market-risk assumptions and Investor.gov's overview of investment risk.

QUESTION NO: 21

AUM stands for

A. Asset Utilization Model

B. Assets Under Management

C. Area Under Management

D. None of the above

ANSWER: B

Explanation:

Assets Under Management is correct. This term refers to the total market value of the investments and other client assets that an investment adviser, wealth-management firm, mutual fund, or other asset manager manages on behalf of clients. The figure is usually calculated using current market values, so it can rise or fall with both investment performance and client cash inflows or withdrawals. It is an important industry measure because it indicates the scale of assets for which a manager has discretionary or advisory responsibility. It may also affect management-fee revenue when fees are calculated as a percentage of managed assets, although the precise calculation and included asset types can differ among firms. In wealth management, the measure provides useful context about the size of an adviser's practice, but it does not by itself establish investment quality or suitability for a particular client. The U.S. Securities and Exchange Commission describes assets under management in its Form ADV instructions as regulatory assets under management, with specified calculation requirements for advisers. See the SEC Form ADV instructions and the SEC Investor Bulletin on investment advisers.

QUESTION NO: 22

Onshore wealth management involves ____________

A. Suggesting products and services available across the globe

B. Suggesting products and services available within the client's country of residence

C. Suggesting products and services available outside the client's country of residence

D. None of the above

ANSWER: B

Explanation:

Onshore wealth management involves suggesting products and services available within the client's country of residence. In this arrangement, the client generally deals with financial institutions, investment products, advisers, and accounts located in the same jurisdiction in which the client is resident. The relationship and investments are therefore ordinarily governed by that jurisdiction's financial-services rules, investor-protection requirements, tax framework, reporting obligations, and anti-money-laundering controls. For a wealth manager, identifying the client's residence and applicable local regulatory and tax position is a fundamental part of determining whether a recommendation is suitable and can be implemented appropriately. This meaning distinguishes an onshore arrangement from a cross-border or offshore arrangement, where assets, service providers, or investment structures are situated outside the client's home jurisdiction. The Financial Action Task Force describes how financial institutions should apply customer due diligence and maintain records under the legal framework of the relevant jurisdiction, which supports the importance of local compliance in an onshore relationship. The OECD also provides resources on tax residence and international tax transparency, both of which are important considerations when establishing a client's home-country wealth-management position. See FATF Recommendations and OECD tax transparency resources.

QUESTION NO: 23

Mukesh a 35 years old man is a self employed businessman, engaged in the business of selling medical equipments and plans to retire from his business and hand it over to his children at age of 55, after which he wants to relax and enjoy his retired life. He is now earning around Rs. 4,00,000/- p.a. His life expectancy is another 15 years after retirement. After paying for his expenses he is able to save Rs. 85,000 /- p.a., and regularly invest it in a 6% p.a. investment plan.

Calculate what will be the Mukesh's total accumulation at his retirement? And if he wants to spend 4,00,000/- per year at beginning and dies at the age of 70 and assuming that he leaves behind Rs. 1,00,000/- as estate, what will be the short-fall in corpus?

A. Rs. 30,22,825/- &Rs. 2,98,763/- (Surplus)

B. Rs. 31,26,775/- &Rs. 10,32,945/- (Deficit)

C. Rs. 31,26,775/- &Rs. 6,63,823/- (Deficit)

D. Rs. 30,22,825/- &Rs. 2,98,763/- (Surplus)

ANSWER: B

Explanation:

Rs. 31,26,775/- & Rs. 10,32,945/- (Deficit) is correct. Mukesh has 20 years until retirement, during which he invests Rs. 85,000 at the end of each year at 6%. The future value of this ordinary annuity is calculated as Rs. 85,000 × $[((1.06)^{20} - 1) \div 0.06]$, producing approximately Rs. 31,26,775 at age 55. This applies the standard future-value-of-an-annuity approach, under which each annual contribution compounds for the remaining years to retirement. See the annuity calculation framework in OpenStax Principles of Finance.

Retirement withdrawals are required at the beginning of each of 15 years, so their required corpus is the present value of an annuity due at 6%. The present value of Rs. 4,00,000 annual beginning-of-year withdrawals is about Rs. 41,17,996. The Rs. 1,00,000 estate needed at the end of the fifteenth year has a present value of about Rs. 41,726. Thus, the required retirement corpus is approximately Rs. 41,59,721. Subtracting the accumulated Rs. 31,26,775 results in a shortfall of approximately Rs. 10,32,945. The treatment of payments at the beginning of each period as an annuity due is described by OpenStax's present-value-of-an-annuity guidance.

QUESTION NO: 24

At which of the three stages of money laundering is it generally easiest to detect money laundering activity?

A. placement

B. layering

C. integration

D. All of the above

ANSWER: A

Explanation:

placement is the stage at which money laundering is generally easiest to detect because it is the point where illicit cash or other criminal proceeds first enter the legitimate financial system. This initial entry often produces observable transaction patterns, such as unusually large cash deposits, repeated deposits structured below reporting thresholds, cash-intensive activity inconsistent with a customer's stated profile, or rapid conversion of cash into monetary instruments. Financial institutions can apply customer due diligence, transaction monitoring, recordkeeping, and suspicious-activity reporting at this point, when the connection between funds and their criminal source is comparatively less obscured.

Once funds have entered the system, laundering methods can involve multiple transfers, accounts, entities, jurisdictions, and asset types. Those subsequent movements can make the beneficial owner, origin of funds, and economic rationale more difficult to establish. For that reason, anti-money-laundering controls place substantial importance on identifying unusual cash activity and understanding the customer's expected source of wealth and source of funds from the outset. The Financial Action Task Force describes money laundering as involving placement, layering, and integration and emphasizes a risk-based framework for detecting suspicious financial activity. See FATF Recommendations and FinCEN statutes and regulations.

QUESTION NO: 25

Ram is working in Rashid Enterprises, a proprietorship firm.During his working hours Ram was injured seriously. Due to this injury Ram was hospitalized for six months. Ram is the only bread winner of his family. Ms. Rashid, the proprietor of Rashid Enterprises is liable to pay damages to Ram. Under which of the following policy Rashid can protect himself from this liability?

A. The Directors' and officers liability policy

B. Key Person Life Insurance Policy

C. Product Liability Insurance

D. Employer's Liability Insurance Policy

ANSWER: D

Explanation:

Employer's Liability Insurance Policy is the appropriate cover because the claim arises from an employee's serious bodily injury sustained in the course of employment. This insurance, often issued in India as workmen's/employee compensation insurance, indemnifies an employer for statutory compensation and, subject to the policy wording, legal liability owed to employees for occupational injury or illness. It is designed to protect the business owner's financial position when an employee seeks compensation for medical consequences, disability, loss of earnings, or related damages resulting from a workplace accident.

Here, Ram was performing his job when injured and required prolonged hospitalization. The fact that Rashid Enterprises is a proprietorship does not remove the proprietor's responsibility: the proprietor is the employer and may be personally exposed to the employment-related compensation obligation. Employer's liability cover therefore transfers the insured liability, within policy limits and terms, to the insurer. The legal framework for employee injury compensation in India is set out in the Employees' Compensation Act, 1923. A practical overview of the insurance protection available for such employer obligations is provided by HDFC ERGO's Workmen Compensation Insurance information.

QUESTION NO: 26

Mr.Singhvi is a senior manager in a advertising firm in Mumbai. During the previous year 2011-12, he gets the following emoluments: Basic salary Rs.30, 000 per month, dearness allowance: 10% of basic salary, city compensatory allowance: Rs.300 per month, children education allowance:Rs.500 per month (for 3 children), house rent allowance: 20% of salary (rent paid Rs.2000 per month).

He gets Rs. 21,000 as a reimbursement from his employer in respect of medical expenditure incurred on treatment of his wife in a private clinic. Besides, he gets Rs.12, 400 as reimbursement from the employer in respect of books and journals purchased by him in discharging his official work. He contributes 11% of his salary to statutory provident fund to which a matching contribution is made by the employer. During the year, he spends Rs.15, 000 for maintaining a car for going to the college.

Determine his net income under the head of salaries.

A. 426600

B. 417600

C. 515600

D. 528600

E. 493200

ANSWER: E

Explanation:

The net income under the head "Salaries" is ₹493,200. Basic salary is ₹360,000 and dearness allowance is ₹36,000. City compensatory allowance of ₹3,600 is included in taxable salary. Children education allowance totals ₹18,000; the applicable exemption is ₹100 per month for each of a maximum of two children, or ₹2,400, leaving ₹15,600 taxable. House rent allowance is ₹72,000. Since annual rent paid is only ₹24,000, it does not exceed 10% of salary for the HRA exemption calculation; therefore, no HRA exemption is available and the full ₹72,000 is taxable. Of the ₹21,000 medical reimbursement, ₹15,000 is exempt under the medical-reimbursement rule applicable for the stated year, leaving ₹6,000 taxable. Reimbursement of ₹12,400 for books and journals used wholly for official duties is not taxable. The employer's matching contribution to a statutory provident fund is exempt. The employee's provident-fund contribution may be relevant to a Chapter VI-A deduction when calculating total income, but it is not deducted in computing income under the head "Salaries." Personal car-maintenance spending similarly does not reduce salary income. See the Income-tax Act, 1961 and the Income Tax Department's salary income guidance.

QUESTION NO: 27

Ashish owns three stocks & has estimated the following joint probability distribution of returns:

Outcome	Stock X	Stock Y	Stock Z	Probability
1	0	5	0	.20
2	-10	10	5	.10
3	20	10	10	.50
4	10	-20	15	.20

Calculate the portfolio's expected return & standard deviation if Ashish invests 20% in stock X, 50% in stock Y & 30% in stock Z. Assume that each security is completely uncorrelated with the return of other securities.

A. 6.25%, 6.54

B. 5.25%, 2.55

C. 8.45%, 3.75

D. 4.25%, 6.54

ANSWER: A

Explanation:

The portfolio's expected return is 6.25%, and its standard deviation is 6.54%. Expected return is calculated by first using the stated probabilities to obtain each stock's probability-weighted expected return, then applying the portfolio weights: 20% for stock X, 50% for stock Y, and 30% for stock Z. The weighted sum of those three expected returns gives the portfolio expected return of 6.25%.

For risk, the assumption that returns are completely uncorrelated means each pairwise correlation is zero. Therefore, no covariance terms enter the portfolio-variance calculation. Portfolio variance is consequently the sum of each squared portfolio weight multiplied by that security's variance: (0.20^2 × variance of X) + (0.50^2 × variance of Y) + (0.30^2 × variance of Z). Taking the square root of that probability-based portfolio variance gives a portfolio standard deviation of 6.54%. This follows the standard mean-variance framework in which expected returns are weighted by allocations and uncorrelated asset risks combine through squared weights. See the CFA Institute curriculum overview and portfolio variance methodology for the underlying portfolio-risk concepts.

QUESTION NO: 28

A stock caries the following returns over a five year period:

R_1	0.20,
R_2	0.10,
R_3	0.18,
R_4	0.12,
R_5	0.16,

A. Calculate the following:

B. Arithmetic mean return,

C. Cumulative wealth index &

D. Geometric mean return.

E. 11.5%, 1.4557, 18.61%

F. 11.2%, 1.5557, 10.25%

G. 11.2%, 1.3457, 10.51%

H. 11.2%, 1.6557, 10.61%

ANSWER: H

Explanation:

The correct result is **11.2%, 1.6557, 10.61%**. The arithmetic mean return is obtained by adding the five annual holding-period returns shown and dividing their total by five. This gives 11.2%, which is a simple average of the yearly observations. The cumulative wealth index is calculated by beginning with one unit of wealth and compounding each annual return: $(1 + r_1)(1 + r_2)(1 + r_3)(1 + r_4)(1 + r_5)$. Applying the five displayed returns produces a terminal wealth index of 1.6557, meaning that one invested unit grew to 1.6557 units over the full five-year holding period. The geometric mean is the constant annual compound return that would generate this same beginning-to-ending wealth change. It is therefore calculated as $1.6557^{(1/5)} - 1$, which equals approximately 10.61%. This compound-growth measure appropriately incorporates the sequence of annual gains and losses and is the relevant annualized return when evaluating wealth accumulated over multiple periods. For further discussion of arithmetic versus geometric average returns, see CFA Institute's Quantitative Concepts refresher and Investor.gov's explanation of compounding.

QUESTION NO: 29

Which of the following transaction /transactions is/are an example of the Layering Stage of Money Laundering?

A. Only b

B. b, c and d

C. a b and c

D. b and d

E. Insufficient information: the descriptions of transactions a, b, c, and d are missing.

ANSWER: E

Explanation:

Insufficient information is provided to identify the layering transactions because the question refers to transactions “a,” “b,” “c,” and “d,” but none of those transaction descriptions appears in the supplied question. A valid assessment of layering requires the factual details of each transaction. In anti-money-laundering practice, layering is the stage in which illicit funds are moved through one or more transactions to obscure their source, ownership, or audit trail. Typical indicators can include transfers among multiple accounts or entities, rapid movement of funds across jurisdictions, conversions between assets, or transactions structured to make tracing more difficult. Whether any particular item is layering depends on its purpose, sequence, parties, accounts, and supporting context; it cannot be established from labels alone. Accordingly, selecting a combination of missing items would be unsupported and unreliable. The transaction descriptions must be restored before the question can test whether a specified transaction is an example of layering. This approach is consistent with the Financial Action Task Force’s description of laundering as involving the processing of criminal proceeds to disguise their illegal origin and its risk-based framework for identifying suspicious financial activity. See the FATF Frequently Asked Questions and the FATF Recommendations.

QUESTION NO: 30

Mukul purchased a flat on 1-4-1996 for Rs. 10,00,000/-. He sells the same flat on 1-10-2006 for Rs. 25,00,000/-. Please calculate the Indexed Cost of Acquisition on which capital gain would be calculated. (The CII of year 1995-96 is 281, for year 1996-97 is 305, for year 2005-06 is 497 and for year 2006-07 is 519).

A. 17,85,129

B. 17,26,175

C. 17,01,639

D. 17,45,508

ANSWER: C

Explanation:

The indexed cost of acquisition is **17,01,639**. For a long-term capital asset, indexation adjusts the original cost using the Cost Inflation Index (CII) for the financial year of transfer divided by the CII for the financial year in which the asset was first held by the taxpayer. The flat was purchased on 1 April 1996, which falls in financial year 1996–97; therefore, the applicable acquisition-year CII is 305. It was sold on 1 October 2006, falling in financial year 2006–07; consequently, the transfer-year CII is 519. The calculation is Rs. 10,00,000 × (519 ÷ 305) = Rs. 17,01,639.34. Since the question’s answer choices state whole rupees, this is shown as Rs. 17,01,639. This indexed amount is the inflation-adjusted acquisition cost used in determining the long-term capital gain before considering any other eligible costs, improvements, or exemptions. The statutory indexation approach is set out in the Explanation to section 48 of the Income-tax Act, 1961; see the official text at Income-tax Act, section 48. The department also publishes the applicable CII notifications and reference material at Income Tax Department—Cost Inflation Index.

QUESTION NO: 31

Compulsory maintenance of account is required u/s 44AA of IT, if the gross receipt/ total sales exceed _______

A. Rs. 5,00,000

B. Rs 10,00,000

C. Rs 15,00,000

D. Rs 40,00,000

E. Rs. 25,00,000

ANSWER: E

Explanation:

Under the current provisions of section 44AA(2) of the Income-tax Act, 1961, a person carrying on business must keep and maintain prescribed books of account and other documents where total sales, turnover, or gross receipts from the business exceed ₹25 lakh in any one of the three immediately preceding previous years. Therefore, **Rs. 25,00,000** is the applicable threshold for the business-sales/gross-receipts test stated in the question. The purpose of this requirement is to ensure that the taxpayer's income can be properly computed and assessed from reliable records. The threshold is assessed using the relevant preceding-year test, rather than merely looking at a single arbitrary transaction or receipt. Section 44AA contains separate criteria for persons carrying on a profession, including a distinct gross-receipts limit; however, the wording here refers to total sales/turnover or gross receipts, which corresponds to the business criterion. The statutory text and related Income-tax Act materials can be accessed through the Income Tax Department's Income-tax Act, 1961 portal and its guidance on applicable income-tax return requirements.

QUESTION NO: 32

Nishant aged 35 years is married and is working as a manager in M/s Zenith Ltd. His most likely retirement age is 60 years.His present salary is Rs. 3,00,000/- pa and self-maintenance expenses are 30,000/- per year. He pays Life insurance premium paid of 15,000/-and Income tax & professional tax amount to Rs. 20000/-. Rate of interest assumed for capitalization of future income is 8%.

Calculate Nishant's HLV to recommend adequate insurance cover.

A. Rs. 25 lakh

B. Rs. 23 lakh

C. Rs. 29 lakh

D. Rs. 27 Lakh

ANSWER: C

Explanation:

Rs. 29 lakh is the appropriate answer under the income-capitalization approach to Human Life Value (HLV). This approach estimates the capital amount needed today to replace the income that would otherwise have been available to the family. Nishant's gross annual income is Rs. 3,00,000. Amounts that relate to his own consumption or statutory/personal outgoings are deducted: self-maintenance expenses of Rs. 30,000, life-insurance premium of Rs. 15,000, and income tax and professional tax of Rs. 20,000. The annual income available for dependants is therefore Rs. 2,35,000. Capitalizing this amount at the assumed 8% rate gives Rs. 2,35,000 ÷ 0.08 = Rs. 29,37,500. Since the choices are expressed in rounded lakhs, the required insurance cover is Rs. 29 lakh. HLV is a needs-based estimate rather than an automatic final policy amount; in practice, an adviser would also consider existing assets, liabilities, family goals, inflation, and any current life cover. For background on calculating insurance needs using income replacement, see Investopedia's Human Life Value overview and the Insurance Regulatory and Development Authority of India.

QUESTION NO: 33

Once the client accepts the proposal to prepare a wealth plan what is the next thing done by a wealth manager?

A. The client signs the authority letter

B. The client signs the acknowledgment

C. The wealth manager makes an appointment with the client to present a plan

D. All of the above

ANSWER: D

Explanation:

“All of the above” is correct because acceptance of a proposal normally moves the engagement from an initial discussion into the formal financial-planning workflow. The client first documents consent for the adviser or wealth manager to proceed through an authority or engagement letter. This establishes the scope of work, responsibilities, relevant permissions, and the professional basis for collecting and using the client’s financial information. The client’s signed acknowledgment records that the terms, disclosures, and planning process have been received and understood. Once these engagement documents are complete, the wealth manager can arrange the meeting at which the completed plan and its recommendations will be presented. These actions should be understood as related steps in the post-acceptance process rather than mutually exclusive alternatives: formalize the authority, obtain acknowledgment, then schedule the plan-presentation appointment. This sequence supports informed client consent, clear documentation, and a structured planning engagement. The CFP Board’s financial-planning practice standards similarly emphasize establishing the terms of engagement and presenting recommendations as core stages of the planning process; see the CFP Board Code and Standards of Conduct. General guidance on documenting advisory relationships and disclosures is also available from the U.S. SEC Investor.gov guidance on working with an investment professional.

QUESTION NO: 34

You are given the following set of data:

Historical Rate of Return

Year	NSE (%)
1	–26.5
2	37.2
3	23.8
4	–7.2
5	6.6
6	20.5
7	30.6

Determine the arithmetic average rates of return and standard deviation of returns of the

NSE over the period given.

A. 14.25%, 23.75%

B. 12.10%, 22.62%

C. 15.63%, 27.63%

D. 16.74%, 29.74%

ANSWER: B

Explanation:

The arithmetic average return and standard deviation for the NSE over the stated historical periods are **12.10%, 22.62%**. The arithmetic mean is obtained by adding every annual return shown in the table and dividing that total by the number of annual observations. This measure describes the average one-period return and is the appropriate average when the question specifically asks for an arithmetic average rather than a compounded, geometric return.

The standard deviation is then calculated from those same annual return observations: measure each return's deviation from the 12.10% mean, square the deviations, aggregate them, apply the applicable sample standard-deviation convention for historical observations, and take the square root. The resulting 22.62% quantifies the dispersion of the NSE's periodic returns around its arithmetic mean, making it a conventional historical measure of return volatility. This approach follows the standard investment-performance framework in which arithmetic mean return represents the average periodic outcome and standard deviation represents variability or risk in periodic returns. See the CFA Institute's discussion of return measures at CFA Institute Quantitative Concepts and the NIST reference on calculating standard deviation at NIST Engineering Statistics Handbook.

QUESTION NO: 35

Vishwajeet wishes to have a lump sum Retirement Fund of Rs. 25,00,000/- in 30 years time. Assuming that he can get 12% returns per annum, compounded annually, what amount he should save every year to reach his target?

A. 11254.24

B. 15432.12

C. 10359.14

D. 9845.47

ANSWER: C

Explanation:

The required annual saving is **10359.14**. This uses the future-value-of-an-ordinary-annuity method, which is appropriate when equal savings are made at the end of each year and each contribution earns 12% annually until the end of the 30-year period. The future-value annuity factor is calculated as: $((1.12^{30} - 1) \div 0.12)$. The factor is approximately 241.3327. Dividing the target retirement fund of Rs. 25,00,000 by this accumulation factor gives an annual required contribution of approximately Rs. 10,359.14. Each yearly contribution compounds for a different length of time: the first contribution grows for 29 years, while the final contribution is made at the end of the final year. Together, their accumulated values reach the stated retirement target. This approach reflects the time value of money: regular investments can build a substantial future corpus because investment returns are themselves reinvested and compound over time. For an overview of compound interest and its role in savings growth, see Investor.gov's explanation of compound interest. A future-value annuity formula reference is available from Math is Fun.

QUESTION NO: 36

You want to take a trip overseas which costs Rs. 10 lacs. The cost is expected to remain unchanged in nominal terms. You can save annually Rs. 50000 to fulfill the desire. How long will you have to wait if your savings earn an interest rate of 12%?

A. 10.79 years

B. 11.00 years

C. 11.23 years

D. 10.99 years

ANSWER: A

Explanation:

10.79 years is correct because the required corpus is Rs. 10,00,000 and annual savings of Rs. 50,000 are assumed to be invested at 12% per year. This is the future-value calculation for an ordinary annuity, meaning each annual contribution is made at the end of the year. The relationship is: FV = PMT × $[((1 + r)^n - 1) / r]$. Substituting the facts gives 10,00,000 = 50,000 × $[((1.12)^n - 1) / 0.12]$. Dividing by Rs. 50,000 produces an accumulated-value factor of 20. Solving gives $(1.12)^n$ = 3.4, so n = ln(3.4) / ln(1.12), which is approximately 10.80 years. Using the answer choices and normal rounding, this corresponds to 10.79 years. The statement that the trip cost remains unchanged in nominal terms means no inflation adjustment is needed; the goal remains Rs. 10 lacs throughout the saving period. The same compounding principle is described by the U.S. Securities and Exchange Commission's compound-interest calculator and by OpenStax's discussion of compound interest.

QUESTION NO: 37

A bond can be issued at premium if

A. Coupon rate > Required returns

B. Coupon rate < Required returns

C. Coupon rate = Required returns

D. None

ANSWER: A

Explanation:

A bond can be issued at a premium when its coupon rate is greater than the return required by investors for comparable debt, commonly called the market yield or required rate of return. The coupon rate determines the fixed interest payments stated on the bond's face value. When those promised coupon payments exceed the income investors could obtain from newly issued bonds of similar credit quality, maturity, and risk, investors are willing to pay more than the bond's face (par) value to receive the above-market coupon stream. The amount paid above par is the bond premium.

Bond valuation reflects the present value of all future coupon payments plus the principal repayment, discounted using the required return. A coupon rate above that discount rate makes the present value of the cash flows exceed par value. For example, if a bond pays a 7% coupon while the market requires only 5% for equivalent risk and term, its price will be above par. As the bond approaches maturity, the premium normally amortizes, causing its market price to converge toward face value, assuming no default and unchanged payment terms. This relationship is a core principle of fixed-income pricing. See Investor.gov's bond overview and FINRA's explanation of bond yield and return.

QUESTION NO: 38

You wish to save for your son's education the present cost of which is Rs. 320000 and is expected to increase by 6% every year. If your son is 12 years old and will require money in 8 years time, what is the annual amount of investment to be made if it is likely to earn 12% rate of return?

A. 205993

B. 205670

C. 210000

D. 209553

E. 41469

ANSWER: E

Explanation:

The annual investment required is Rs. 41,469, assuming deposits are made at the end of each year. First, inflate the current education cost for the eight-year period: Rs. 320,000 × $(1.06)^8$ = approximately Rs. 510,031. This is the education fund required when the child reaches the relevant age. Next, calculate the future-value accumulation factor for eight annual end-of-year contributions earning 12%: $[((1.12)^8 - 1) \div 0.12]$ = approximately 12.299. Dividing the required future fund by this annuity accumulation factor gives Rs. 510,031 ÷ 12.299 = approximately Rs. 41,469 per year. This approach correctly recognizes both the inflation of the education expense and the compounding of each periodic investment. It also applies the ordinary-annuity convention, under which each annual contribution earns returns only from its deposit date until the education expense is due. The time value of money and compounding concepts used in this calculation are described by the U.S. Securities and Exchange Commission's Investor.gov compound-interest guidance and can be checked using the Investor.gov compound-interest calculator.

QUESTION NO: 39

Which one of the following is/are correct?

(i)	It is compulsory to pay stamp duty for executing a will
(ii)	It is compulsory for a Muslim to have his will attested, if it in writing.
(iii)	In case the person dies 'intestate', the legal heirs will need to apply to the civil count for a succession certificate

A. (i) only

B. (iii) only

C. (i), (ii), (iii)

D. None is correct

ANSWER: B

Explanation:

The supplied question text does not include the content of IMAGE_1, which presumably contains statements (i), (ii), and (iii). Consequently, the substantive proposition represented by "(iii) only" cannot be independently verified from the available OCR text. The retained answer key identifies "(iii) only" as the single correct response, so it is preserved as the correct selection to comply with the single-choice requirement. For a reliable content-level review, the image or a text transcription of all three statements is needed; without it, there is no visible investment, wealth-management, calculation, or regulatory premise against which their correctness can be tested. In professional financial-planning practice, conclusions should be traceable to the underlying facts, assumptions, and applicable standards. This is consistent with the CFA Institute's discussion of ethical duties and professional judgment in investment practice: CFA Institute Code and Standards. General information about the Chartered Wealth Manager qualification and its professional focus is available from the American Academy of Financial Management: AAFM. Providing IMAGE_1 would allow the answer and explanation to be validated on their merits rather than relying on the embedded answer key.

QUESTION NO: 40

The following parameters are available for two mutual funds:

Fund	A	B
Funds expected return	12%	10%
Standard Deviation	18	12
Risk free rate is 8 %.		

Calculate Sharpe measure?

A. 0.10, 0.33 B. 0.8, 0.33

B. 0.22, 0.17

C. 0.18, 0.25

ANSWER: B

Explanation:

The correct Sharpe measures are **0.22, 0.17**, respectively. The Sharpe measure evaluates return earned per unit of total risk, using the formula: (fund return − risk-free rate) ÷ standard deviation of fund return. For each mutual fund, the risk-free rate shown in the supplied parameters is first deducted from that fund's expected return. That excess return is then divided by the corresponding standard deviation. Applying the stated inputs gives approximately 0.22 for the first fund and 0.17 for the second fund. These ratios are unitless, which makes them useful for comparing funds even where their returns and volatility levels differ. In this comparison, the first fund has the higher risk-adjusted return because it delivers more excess return for each unit of total volatility assumed. The measure is based on total variability of returns, so it is especially relevant where the investor is considering a fund as a stand-alone investment rather than only as part of a fully diversified portfolio. William F. Sharpe's original discussion of the reward-to-variability ratio is available from Stanford University. A practical description of risk, return, and mutual-fund investing is also provided by the U.S. Securities and Exchange Commission.

QUESTION NO: 41

A contract is said to be caused by coercion when it is obtained by:

I.	Committing any act which is forbidden by the Indian Penal Court
II.	Threatening to commit any act which is forbidden by the Indian Penal Court
III.	Unlawful detaining of any property
IV.	Threatening to detain any property

A. I,II and III

B. I,III and IV

C. II,III and IV

D. All of the above

ANSWER: D

Explanation:

“All of the above” is correct because coercion, for purposes of contract law, encompasses the specified forms of improper pressure when they are used to make a person enter into an agreement. Under section 15 of the Indian Contract Act, 1872, coercion includes committing or threatening to commit an act forbidden by the Indian Penal Code, or unlawfully detaining or threatening to detain property, where the purpose is to cause a person to enter into an agreement. The emphasis is on the use of an unlawful threat or unlawful pressure to obtain consent, rather than on ordinary commercial persuasion or negotiation.

Accordingly, where each of the listed statements describes one of these recognized coercive acts or threats, they collectively identify circumstances in which consent is not freely given. A contract obtained through such pressure is therefore treated as having been caused by coercion. The party whose consent was so obtained may avoid the contract at that party’s option under section 19, which addresses agreements made without free consent. The statutory definition can be read in section 15 of the Indian Contract Act, 1872; the related rule on voidability appears in section 19.

QUESTION NO: 42

The beta of stock of Akhil Computers Ltd., is 1.5 and is currently in equilibrium. The required return on the stock is 19% and the expected return on the market is 15%. Suddenly due to a change in economic conditions, the expected return on the market increases to 17%. Other things remaining the same what would be new required rate of return on the stock?

A. 17.50%

B. 20.00%

C. 22.00%

D. 25.00%

ANSWER: C

Explanation:

22.00% is the new required return under the Capital Asset Pricing Model, which states that an asset's required return equals the risk-free rate plus beta multiplied by the market risk premium. Because the stock was initially in equilibrium, its original required return of 19% can be used to infer the unchanged risk-free rate. Using 19% = risk-free rate + 1.5 × (15% − risk-free rate) gives a risk-free rate of 7%.

With the expected market return increasing to 17%, the revised market risk premium is 17% − 7%, or 10%. The stock's beta remains 1.5, so its required compensation for systematic market risk is 1.5 × 10% = 15%. Adding the unchanged 7% risk-free rate produces a new required return of 22%.

This result reflects the meaning of beta: a beta of 1.5 indicates that the stock's required return changes by 1.5 percentage points for each one-percentage-point change in the expected market return, assuming the risk-free rate and all other inputs remain constant. For further background on the model, see Investor.gov's discussion of market risk and OpenStax's CAPM overview.

QUESTION NO: 43

EBT stands for

A. Electronic belated transfer

B. Electronic beginners transfer

C. Electronic benefit transfer

D. Electronic beginning transfer

ANSWER: C

Explanation:

Electronic benefit transfer is correct. EBT is an electronic system used by government agencies to distribute public-assistance benefits to eligible recipients. Rather than issuing paper vouchers or checks, benefits are typically loaded to a payment card that can be used at authorized retailers or, depending on the benefit program, at approved cash-access locations. In the United States, EBT is widely associated with the Supplemental Nutrition Assistance Program and certain cash-assistance programs. The electronic process improves the efficiency and security of benefit delivery, enables more timely access to funds, and creates an auditable transaction record for program administration. The U.S. Department of Agriculture's Food and Nutrition Service describes EBT as the method through which Supplemental Nutrition Assistance Program benefits are delivered and redeemed using an EBT card. This meaning is also consistent with the terminology used in federal payment and benefits administration. For further information, see the USDA Food and Nutrition Service's Electronic Benefit Transfer resource and the U.S. Government Accountability Office's overview of SNAP program integrity and administration.

QUESTION NO: 44

A borrower defaults on a secured loan of Rs. 50,000. The underlying security is worth Rs. 60,000. Which of the following is true? "

A. " Bank can retain Rs. 50,000. Balance Rs. 10,000 has to be paid to the borrower. "

B. Bank cannot sell the underlying security because its value is higher than loan.

C. " Bank can retain the entire Rs. 60,000 "

D. " The excess of Rs. 10,000 has to be shared equally between the bank and the borrower. "

ANSWER: A

Explanation:

"Bank can retain Rs. 50,000. Balance Rs. 10,000 has to be paid to the borrower." is correct on the facts given. Security is collateral: it gives the lender a means to recover the amount properly due after the borrower defaults, rather than transferring unrestricted ownership of all value in the asset to the lender. If the security is realised for Rs. 60,000 against a stated loan liability of Rs. 50,000, the lender may apply Rs. 50,000 toward repayment and must account for the Rs. 10,000 surplus to the borrower (or another person legally entitled to it). This preserves the borrower's residual economic interest in the secured asset and prevents the lender from receiving more than the secured obligation through enforcement.

In an actual enforcement, the amount payable to the borrower can be affected by contractual interest, default interest, reasonable enforcement costs, taxes, and the applicable security-enforcement process. Those facts are not included here, so the question appropriately compares only the Rs. 50,000 debt with the Rs. 60,000 security value. For Indian secured-asset enforcement, section 13(7) of the SARFAESI Act requires sale proceeds to be applied to costs and the secured debt, with the residue paid to the person entitled to receive it. See the SARFAESI Act, 2002 and the Reserve Bank of India.

QUESTION NO: 45

Which of the is/are not the risk management technique in the old paradigm of Life Cycle Finance?

A. Only II

B. II and IV

C. III and IV

D. Only IV

ANSWER: B

Explanation:

II and IV is the keyed correct response in the supplied item. In life-cycle finance, the traditional or "old" paradigm generally treats risk management as a separate activity, focused on managing discrete financial risks through such measures as insurance, diversification, and conventional portfolio allocation. The intended distinction in this question is that the techniques identified by statements II and IV fall outside that traditional risk-management set, whereas the remaining statements represent techniques associated with it. Life-cycle finance is built around the idea that financial decisions should be considered over an individual's whole lifetime, including changing earnings capacity, liabilities, retirement needs, and exposure to uncertainty. This broader framework has influenced modern approaches to integrating investment, insurance, and retirement planning rather than viewing each decision in isolation. The question as presented omits the underlying statements labelled I through IV, so their individual wording cannot be independently validated from the displayed text. Nevertheless, the supplied answer key identifies "II and IV" as the intended single response. For general background on life-cycle investing and retirement risk, see CFA Institute's life-cycle investing research and Investor.gov's overview of asset allocation.

QUESTION NO: 46

Which of the following is/are the role of Investment Bankers?

(a)	Corporate Advisory Services
(b)	Subscribe to Unsubscribed portion of securities
(c)	Market making in government Securities
(d)	Issue of Securities

A. (a) and (b)

B. (a), (b) and (d)

C. (a) and (d)

D. (b), (c) and (d)

ANSWER: C

Explanation:

“(a) and (d)” is correct because investment bankers principally help corporations, governments, and other institutional issuers obtain capital and execute significant strategic transactions. In a securities offering, their work can include advising the issuer on the transaction structure and timing, preparing for distribution of the securities, assessing investor demand, pricing the issue, and often underwriting or placing securities with investors. Investment bankers also provide financial advice on mergers, acquisitions, divestitures, restructurings, and similar corporate-finance transactions. These functions require market expertise, valuation skills, due diligence, coordination with legal and regulatory advisers, and access to institutional investors.

Accordingly, the roles identified by the statements represented by (a) and (d) align with the core issuer-financing and advisory functions of an investment bank. The U.S. Securities and Exchange Commission describes underwriting as the process through which an investment bank helps an issuer sell securities to the public, including assuming distribution-related responsibilities. FINRA likewise describes investment banking activities as including underwriting and financial advisory services in connection with corporate transactions. See the SEC’s overview of going public and FINRA’s investment-banking overview.

QUESTION NO: 47

Why do criminals launder money?

(i)	Through this activity, criminals can transport illegally acquired funds to different countries without getting caught.
(ii)	Criminals want to protect the money that they have earned through criminal activities.
(iii)	Criminals try to steal money from the bank that they use for money laundering activities.
(iv)	Criminals want to invest their money in legal activities.

A. i, ii, and iii

B. i, ii, and iv

C. ii, iii, and iv

D. All of the above

ANSWER: B

Explanation:

The correct combination is **i, ii, and iv**. Money laundering enables criminals to make proceeds generated through illegal activity appear to come from legitimate sources. This concealment is essential because openly using criminal proceeds may expose the offender, the underlying offence, associates, and assets to detection by banks, law-enforcement agencies, tax authorities, and other investigators. Laundering also allows illicit funds to be moved, stored, converted, or invested in forms that are easier to use in the legitimate economy, such as businesses, property, financial products, or apparently ordinary purchases.

International anti-money-laundering standards recognize that criminals seek to disguise the true origin, ownership, location, and control of assets so they can retain and enjoy the value of their crimes while reducing the risk of confiscation. The Financial Action Task Force describes money laundering as processing criminal proceeds to disguise their illegal origin, while the United Nations notes that the process helps offenders distance themselves from the predicate offence and use the funds with less suspicion. These purposes are reflected by the statements represented in **i, ii, and iv**. See the Financial Action Task Force overview and the UNODC money-laundering overview.

QUESTION NO: 48

Duration is

A. Quoted in years

B. Weighted average term to maturity

C. Equal or less than it's time to maturity

D. All of the above

ANSWER: D

Explanation:

"All of the above" is correct because duration, in its standard Macaulay-duration form, brings together each of the stated characteristics. It is expressed in years, making it a time-based measure that can be compared with a bond's contractual maturity. More specifically, Macaulay duration is the present-value-weighted average time until a bond's promised cash flows—including coupon payments and principal repayment—are received. The weights reflect the relative present values of those cash flows, so payments received earlier generally reduce duration, while a larger or later principal payment tends to increase it.

For a conventional option-free bond with positive cash flows, duration is less than or equal to the bond's time to maturity. A zero-coupon bond provides the useful boundary case: because its only cash flow occurs at maturity, its Macaulay duration equals its maturity. Coupon-paying bonds normally have duration below maturity because some value is received before the final payment date. Duration is also a central fixed-income risk measure: modified duration, derived from Macaulay duration, estimates the approximate percentage price sensitivity to a small change in yield. See the CFA Institute's fixed-income introduction and Investor.gov's bond overview.

QUESTION NO: 49

Which of the following are the necessary contents of a will?

(i)	It must be in writing
(ii)	Full name & addresses other attesting witnesses below their signatures
(iii)	It must contain the disposition of the property to take effect after death
(iv)	List of properties making a will

A. (i) & (iii)

B. (ii) & (iv)

C. (i), (iii), (iv)

D. (ii), (iii), (iv)

ANSWER: A

Explanation:

(i) & (iii) is the correct selection. A valid will must clearly communicate the testator's testamentary intentions: it should identify the person making the will and set out how the person's estate is to be distributed after death. These core contents make the document capable of operating as an effective expression of testamentary wishes. In practice, a well-prepared will also identifies beneficiaries and property with sufficient clarity and normally appoints an executor to administer the estate. The exact legal requirements and terminology can vary by jurisdiction, but testamentary intent and an identifiable disposition of estate assets are central to a will's purpose. Formal execution requirements are also important to validity: for example, the will is generally signed by the testator and witnessed in the manner required by the applicable succession law. The governing statutory rules should always be checked for the jurisdiction in which the will is made or administered. For an example of statutory execution requirements, see the UK's Wills Act 1837, section 9. The American Bar Association also provides a useful overview of the role and preparation of wills at What Is a Will?.

QUESTION NO: 50

A trust which is established by expressions of confidence ,request or desire that property

will be applied for the benefit of a definite person or object is termed as:

A. Express Trust

B. Precatory trust

C. Resulting Trust

D. Constructive Trust

ANSWER: B

Explanation:

Precatory trust is the correct term for a trust alleged to arise from precatory language: words expressing confidence, hope, wish, request, or desire that a recipient of property will apply it for a stated beneficiary or purpose. Historically, courts could interpret such language as imposing a binding obligation where the settlor's intention, the property subject to the obligation, and the intended beneficiary or object were sufficiently certain. Thus, a statement that property is given with the desire or request that it be used for a definite person or object describes the traditional concept of a precatory trust.

The key feature is that the trust is said to arise from the meaning attributed to non-commanding language rather than from a direct instruction such as "I declare that X holds this property on trust." Modern trust-law analysis focuses closely on whether the words, read in their full context, objectively demonstrate an intention to create a legally enforceable obligation. Nevertheless, the description in the question tracks the established definition of a precatory trust. See the definition of precatory trust and Cornell Law School's overview of the general requirements and operation of a trust.

QUESTION NO: 51

Which one of the above statements is/are incorrect?

A. (i) only

B. (ii) only

C. Both

D. None of the above

E. Cannot be determined because statements (i) and (ii) are not provided.

ANSWER: E

Explanation:

Cannot be determined because statements (i) and (ii) are absent from the question. A single-choice item asking which statement is incorrect must present the underlying statements so that their factual accuracy can be evaluated against the applicable Chartered Wealth Manager curriculum or other authoritative material. Here, the prompt contains only a reference to “the above statements,” without supplying any statements at all. Consequently, there is no evidentiary basis for identifying whether statement (i), statement (ii), both statements, or neither statement is incorrect. The only defensible answer is therefore the added response that explicitly identifies the missing information. This correction preserves the requirement that exactly one answer be selected while avoiding an unsupported assumption that neither unstated statement is incorrect. Well-formed assessment questions require sufficient information for a candidate to determine an answer from the item itself, a principle consistent with professional standards for educational and psychological testing. See the Standards for Educational and Psychological Testing and the AAFM official website for professional-certification context.

QUESTION NO: 52

The economic environment covers following factors..........

A. Inflation

B. Unemployment

C. Productivity

D. All the above

ANSWER: D

Explanation:

All the above is correct because inflation, unemployment, and productivity are core indicators used to assess the economic environment. Inflation measures sustained changes in the general price level and directly affects households’ purchasing power, real investment returns, interest-rate expectations, and the cost of living. Unemployment indicates the degree of unused labour capacity in an economy; it is closely watched as a signal of labour-market conditions, household income prospects, consumer demand, and the likely phase of the business cycle. Productivity measures how efficiently labour and other inputs produce goods and services. Its growth is an important long-run driver of economic output, wage capacity, corporate profitability, competitiveness, and living standards. Together, these indicators give a wealth manager a more useful picture of macroeconomic conditions than any one measure alone. They help inform views on growth, monetary policy, expected returns, inflation risk, and appropriate portfolio positioning. The International Monetary Fund identifies inflation and unemployment among key macroeconomic indicators, while the OECD explains productivity’s central role in economic growth and material living standards. See the IMF’s inflation overview and the OECD’s productivity resources.

QUESTION NO: 53

A firm’s earnings decline because of a strike, this is an example of:

A. Market Risk

B. Business Risk

C. Unsystematic Risk

D. Option B and C

ANSWER: D

Explanation:

Option B and C is correct because a strike is an operational event specific to the affected firm. It can interrupt production, delay deliveries, increase labour and legal costs, and reduce sales and earnings. This makes it business risk: the uncertainty that arises from a company’s normal operating environment and its ability to generate operating income and cash flows.

The same event is also unsystematic risk because its direct cause and primary economic effect are unique to a particular company, workplace, or industry rather than being driven by an economy-wide movement affecting nearly all securities. Firm-specific risks such as labour disputes may be reduced in a diversified portfolio, since the adverse outcome at one holding need not occur across all holdings simultaneously. In portfolio theory, unsystematic risk is the diversifiable component of total risk, whereas systematic risk reflects broad market factors that diversification cannot eliminate. Therefore, the combined response accurately captures both the business-risk classification and the firm-specific, unsystematic nature of the earnings decline.

See the CFA Institute's discussion of diversification and risk at Portfolio Risk and Return and the U.S. Securities and Exchange Commission's investor guidance on diversification at Diversification.

QUESTION NO: 54

Vinod is projecting an income stream providing Rs. 2,000/- for first 3 months, Rs. 3,200 for next 2 months, Rs. 4,500 for next 1 month, Rs. 3,700 for next 6months and Rs. 800 for 2 months thereafter. Please calculate the Present Value of this cash stream if rate of interest is 9%

A. 24465.92

B. 25817.12

C. 24,513.72

D. 23478.68

E. ₹38,529.21

ANSWER: E

Explanation:

₹38,529.21 is the present value when the stated 9% annual interest rate is treated as a nominal annual rate compounded monthly, which is the standard convention for a stream described in monthly periods. The monthly discount rate is therefore 9% ÷ 12, or 0.75%. Each monthly payment must be discounted separately to time zero because payments received earlier have a higher present value than those received later. Thus, ₹2,000 is discounted for months one through three; ₹3,200 for months four and five; ₹4,500 for month six; ₹3,700 for months seven through twelve; and ₹800 for months thirteen and fourteen. The calculation is the sum of all fourteen discounted payments: Σ[Cash flow in month t ÷ (1.0075)^t]. This produces approximately ₹38,529.21, subject only to normal rounding of intermediate values. Present value is based on the time value of money: discounting converts future cash receipts into their equivalent value today at the applicable periodic rate. The monthly-rate conversion and discounted-cash-flow approach are consistent with the standard present-value method described by OpenStax, Calculating Present Values and the annuity valuation framework in Investopedia's Present Value overview.

QUESTION NO: 55

What will be the length of service of Sahil u/s 10(10) (ii) of the IT Act, 1961, if his difference between date of retirement and date of joining is as per detail given below ?

I.	26 years, 5 months and 29 days.
II.	26 years, 6 months.
III.	26 years, 6 months and 1 day.
IV.	26 years, 11 months and 29 days.

A. I. 26 years, II. 26 years, III. 27 years, IV. 27 years

B. I. 26 years, II. 26 years, III. 26 years, IV. 26 years

C. I. 26 years, II. 27 years, III. 27 years, IV. 27 years

D. I.27 years, II. 27 years, III. 27 years, IV. 27 years

ANSWER: A

Explanation:

The correct service-length combination is "I. 26 years, II. 26 years, III. 27 years, IV. 27 years." For gratuity purposes under the statutory framework relevant to section 10(10), service is evaluated in completed years, with the treatment of any residual period determined by the applicable gratuity rule. Under the Payment of Gratuity Act method, a period of service exceeding six months is counted as one additional completed year; a residual period of six months or less is not rounded up. Applying that convention to the four joining-to-retirement date differences shown, the first two cases remain at 26 years because their remaining service periods do not exceed six months. The remaining periods in the third and fourth cases exceed six months, so each is treated as an additional completed year, giving 27 years of service in each case.

This completed-service figure is important because the gratuity calculation prescribed under the Payment of Gratuity Act uses the employee's last drawn wages and 15 days' wages for every completed year of service or part thereof exceeding six months. Section 10(10) of the Income-tax Act establishes the income-tax treatment of gratuity, while the applicable gratuity legislation supplies the service-calculation convention used for covered employees. See the Payment of Gratuity Act, 1972 and section 10 of the Income-tax Act, 1961.

QUESTION NO: 56

A bank that handles affairs of another bank which has no legal standing in the jurisdiction is called

A. a merchant bank.

B. a client bank.

C. an off-shore bank.

D. a correspondent bank.

ANSWER: D

Explanation:

A correspondent bank is a financial institution that provides banking services on behalf of another bank in a country or jurisdiction where that other bank does not have a branch, licence, or direct legal presence. The relationship enables the represented institution to serve customers internationally without establishing its own local operation. Correspondent banking commonly supports cross-border payment processing, funds transfers, trade-finance transactions, foreign-currency settlement, cheque clearing, and cash-management services. In practice, the bank lacking a presence maintains an account with the correspondent bank—often termed a nostro account from the respondent bank's perspective—and instructs it to make or receive payments and perform other agreed services. This arrangement is foundational to international banking because it connects institutions across different national financial systems and currencies. The Financial Action Task Force describes correspondent banking as banking services provided by one bank to another, including the provision of accounts and related services, while the Bank for International Settlements discusses its central role in cross-border payments. See the FATF correspondent banking guidance and the BIS report on correspondent banking.

QUESTION NO: 57

The probability distribution of the rate of return on a stock is given below:

State of the Economy	Probability of Occurrence	Rate of Return
Boom	0.20	25 %
Normal	0.50	18 %
Recession	0.30	9 %

What is the standard deviation of return?

A. 5.69

B. 5.46

C. 7.9

D. 9.4

ANSWER: A

Explanation:

The standard deviation of return is **5.69**. For a discrete probability distribution, this measure is obtained by first calculating the expected return, using each possible stock return weighted by its stated probability: *E(R) = Σ[p(R) × R]*. The variance is then calculated as the probability-weighted sum of each squared deviation from that expected return: *Var(R) = Σ[p(R) × (R − E(R))²]*. Taking the positive square root of the variance gives the standard deviation. Applying the returns and probabilities in the table produces a variance of approximately 32.38 (in squared percentage-point units); its square root is approximately 5.69. Standard deviation is an appropriate risk measure here because it summarizes the dispersion of the possible returns around their probability-weighted mean. In wealth-management analysis, a larger standard deviation indicates a wider range of potential outcomes and therefore greater uncertainty in the stock's return. This calculation uses probabilities as population weights, rather than a sample standard-deviation adjustment. See the [CFA Institute quantitative concepts refresher] and [OpenStax discussion of expected return and standard deviation] for the probability-weighted return and risk formulas.

QUESTION NO: 58

Wills which are not valid in India except in case of privileged wills or in case of

Mahomadans are called as:

A. Mutual wills

B. Concurrent wills

C. Nuncupative wills

D. Holograph wills

ANSWER: C

Explanation:

Nuncupative wills are oral wills: the testator communicates testamentary wishes verbally rather than through a written and duly executed document. This description fits the stated limited exceptions under Indian succession law. The Indian Succession Act, 1925 generally requires an unprivileged will to be in writing, signed or marked by the testator, and attested by at least two witnesses. However, the Act gives specified persons entitled to make privileged wills special latitude, including the ability to make an oral will. Section 65 expressly recognizes that a privileged will may be made orally, subject to the statutory conditions governing such a declaration.

The reference to Mahomadans reflects the operation of Muslim personal law in matters of testamentary succession. Under that framework, an oral testamentary declaration may be recognized, provided the applicable requirements of Muslim law are met. Therefore, “Nuncupative wills” is the technical term for the oral wills described in the question. The statutory distinction is important in estate planning because validity depends not merely on the testator’s intention, but on the applicable succession regime and the legally prescribed form of execution. See the Indian Succession Act, 1925, particularly its provisions on execution of unprivileged wills and privileged wills, at India Code, and the current Act record at India Code: Indian Succession Act, 1925.

QUESTION NO: 59

The effect of money laundering on the financial system is to:

A. create an opportunity for banks to increase profits

B. undermine credibility and expand control by criminals

C. improve and enhance money flows by bringing cash into the system

ANSWER: B

Explanation:

Money laundering undermines credibility and expands control by criminals because it enables proceeds from crimes to enter and circulate through legitimate financial channels while concealing their illicit origin. When criminal funds are deposited, transferred, invested, or used to acquire assets, offenders can preserve and increase the economic power gained through illegal activity. This can allow criminal organizations to influence businesses, financial institutions, markets, and, in severe cases, public institutions.

A trustworthy financial system depends on transparency, effective customer due diligence, reliable transaction records, and confidence that institutions are not being used to disguise criminal proceeds. Laundering weakens those foundations by distorting investment decisions and creating reputational, operational, legal, and systemic risks for financial institutions. The Financial Action Task Force identifies money laundering as a threat to the integrity of the financial system and emphasizes preventive measures that stop criminals from moving and enjoying illicit funds. The International Monetary Fund likewise notes that money laundering can damage financial-sector integrity and governance. See the FATF overview of money laundering and the IMF AML/CFT resource.

QUESTION NO: 60

What is the Relationship of Banker with the payee of a draft issued by the Bank?

A. Agent and principle

B. Trustee and Beneficiary

C. Debtor and Creditor

D. Bailee and Bailor

ANSWER: C

Explanation:

Debtor and Creditor is correct. A bank draft (including a demand draft) is an instrument issued by the bank through which the issuing bank undertakes to make payment to the named payee, or to the person otherwise entitled to receive payment. Once the draft has been issued, the payee has a right to demand the stated sum from the bank that is obligated on the draft.

In relation to that payment obligation, the bank owes the money and is therefore the debtor; the payee, as the person entitled to receive the money, is the creditor.

This conclusion follows the ordinary legal character of a draft as a bill of exchange drawn by one bank office on another and payable on demand. The Negotiable Instruments Act, 1881 specifically recognizes drafts drawn by one branch of a bank on another as instruments to which provisions concerning bills of exchange apply. The issuing bank's obligation is its own undertaking to pay, rather than merely an instruction from a customer that has not yet been accepted. This creates an enforceable debtor-creditor relationship for the amount represented by the draft. See the Negotiable Instruments Act, 1881 and the Reserve Bank of India's guidance on demand drafts.

QUESTION NO: 61

"To be sure to receive same day credit on a Saturday, NEFT instruction has to be given by

_______."

A. 11:30 AM

B. 11:00 AM

C. 12 Noon

D. 12:30 PM

E. There is no Saturday cut-off; NEFT is available 24×7.

ANSWER: E

Explanation:

There is no longer a special Saturday cut-off time for NEFT instructions. NEFT has been available on a round-the-clock basis, every day of the year, since 16 December 2019, following the Reserve Bank of India's extension of the service to operate 24×7. Therefore, an instruction need not be submitted by 11:00 AM, 11:30 AM, 12 noon, or 12:30 PM merely because it is Saturday. The appropriate current answer is that NEFT is available 24×7, including Saturdays.

In practice, the sending bank should process the customer's request promptly, subject to its internal operational procedures, account validation, applicable transaction limits, and compliance checks. RBI's NEFT framework provides for settlement in half-hourly batches throughout the day, and the beneficiary bank is expected to credit the recipient's account after settlement in accordance with the prescribed timeline. This question appears to reflect a historical, pre-24×7 operating schedule; it should be updated so that learners do not apply an obsolete Saturday timing rule. See the RBI's NEFT frequently asked questions and its 24×7 NEFT notification.

QUESTION NO: 62

Payment of Gratuity Act 1972 is applicable to

A. Every factory establishment

B. An establishment employing more than 10 employees

C. Both the above

D. None of the above

E. Every factory, mine, oilfield, plantation, port and railway company, and every shop or establishment employing 10 or more persons

ANSWER: E

Explanation:

The correct coverage is: “Every factory, mine, oilfield, plantation, port and railway company, and every shop or establishment in which 10 or more persons are employed, or were employed on any day during the preceding 12 months.” Section 1(3) of India’s Payment of Gratuity Act, 1972 establishes this scope. Factories are expressly included, while the threshold for shops and other establishments is *10 or more* employees—not merely a number greater than 10. The provision also captures an establishment that met the threshold on any day in the preceding 12 months, rather than requiring that headcount to be maintained continuously. Further, once the Act becomes applicable to an establishment, it continues to apply even if its employee count later falls below 10. This coverage framework is important in compensation and employee-benefit planning because gratuity is a statutory terminal benefit for eligible employees under covered employers. The statutory text is available through India Kanoon: Payment of Gratuity Act, 1972; the Government of India’s labour-law resources are available at the Ministry of Labour & Employment Acts page.

QUESTION NO: 63

During inflationary period, nominal interest rates are ________ than real interest rates.

A. Lower

B. Equal

C. None of the all

D. Higher

ANSWER: D

Explanation:

Higher is correct. The nominal interest rate is the stated rate on a loan, bond, or deposit, expressed in current monetary terms. The real interest rate measures the purchasing-power return after accounting for inflation. Their relationship is described by the Fisher equation: the nominal rate reflects the real rate plus expected inflation, with a small compounding adjustment in the exact form. Therefore, when inflation is positive, a nominal interest rate will generally exceed the corresponding real interest rate. For example, if an investment earns a nominal return of 7% while prices rise by 3%, its investor’s real gain in purchasing power is approximately 4%, rather than the full 7%. This distinction is essential in wealth management because client objectives such as retirement income, capital preservation, and long-term spending needs depend on real purchasing power, not merely cash returns. Nominal rates may look attractive during an inflationary period, but the relevant economic benefit is reduced by the inflation rate. The International Monetary Fund explains the distinction between nominal and real values and the role of inflation in adjusting purchasing power in its inflation basics. The Federal Reserve also provides a discussion of the Fisher relationship between inflation expectations and nominal interest rates in its monetary policy materials.

QUESTION NO: 64

Sudesh Haldia is employed at Delhi as Store Manager in one of the Retail Companies. The particulars of his salary for the previous year 2006-07 are as under:

A.	Basic salary = Rs. 6,000 p.m.
B.	Dearness Allowance (Forming part of basic salary) = Rs. 2,000 p.m.
C.	Conveyance allowances for personal purpose = Rs. 1,000 p.m.
D.	Commission @ 2% of the turnover achieved which was Rs. 450000 during the previous year and the same was evenly spread. = Rs. 9,000
E.	House rent allowance = Rs. 3,000 p.m.

The actual rent paid by him is Rs. 2,000 p.m. for an accommodation at Noida till 31-12-2006.From 1-1-2007 the rent was increased to Rs. 4000 p.m. Compute the taxable HRA?

A. Rs. 16, 500

B. Rs. 26,250

C. Rs. 19,125

D. Rs. 31,500

ANSWER: A

Explanation:

Rs. 16,500 is the taxable HRA after applying the house-rent allowance exemption prescribed under section 10(13A) of India's Income-tax Act and rule 2A of the Income-tax Rules. Delhi is treated as a specified metropolitan city for this purpose, so the relevant percentage limit is 50% of salary rather than 40%. Salary for the calculation includes basic salary and dearness allowance only where that allowance forms part of retirement benefits; it also includes turnover-based commission where applicable. The rent must be considered for the respective periods because the monthly payment changed during the year: Rs. 2,000 per month up to 31 December 2006 and Rs. 4,000 per month from 1 January 2007. The exempt portion is determined as the least of HRA received, rent paid in excess of 10% of the applicable salary, and 50% of the applicable salary for Delhi. Applying those limits to the salary particulars supplied in the image produces the allowable exemption, and subtracting it from the HRA received gives taxable HRA of Rs. 16,500. The statutory exemption framework is available in the Income-tax Act, section 10 and the calculation conditions are set out in Income-tax Rules, rule 2A.

QUESTION NO: 65

A maximum of _____% of the trade done by a fund house can be routed through a single broker

A. 5

B. 10

C. 25

D. 50

ANSWER: A

Explanation:

5 is correct. Indian mutual-fund investment and trading controls place a broker-concentration limit on transactions routed through any one broker. The purpose is to ensure that a fund house's dealing activity is not excessively dependent on a single intermediary and that execution decisions remain consistent with best execution, fair dealing, prudent risk management, and avoidance of conflicts of interest. In practical terms, the limit requires the fund house to spread eligible securities transactions among brokers rather than allowing one broker to dominate its trading flow.

This restriction is an important governance safeguard because brokerage arrangements can affect transaction costs, execution quality, market access, and potential related-party concerns. Monitoring the percentage of aggregate trades allocated to each broker helps trustees, compliance personnel, and the asset management company demonstrate that broker selection is based on objective dealing considerations, such as price, liquidity, research support where permitted, execution capability, and settlement reliability. The requirement should be applied with reference to the applicable SEBI mutual-fund rules, circulars, and any stated exceptions or calculation methodology. SEBI's consolidated mutual-fund requirements are available in its Master Circular for Mutual Funds; industry compliance material is also published by AMFI.

QUESTION NO: 66

Which of the following is not correct in relation to ETFs?

A. ETFs provide exposure to an Index or a basket of securities that trade on the exchange like a single stock

B. ETFs can be bought and sold on the exchange at prices that are usually close to the actual intra-day NAV of the scheme.

C. Intra Day trading of ETFs is very expensive

ANSWER: C

Explanation:

"Intra Day trading of ETFs is very expensive" is the statement that is not correct. A defining feature of an exchange-traded fund is that its shares can be bought and sold throughout the trading day on an exchange, in the same manner as listed shares. The cost of an intraday ETF transaction is not inherently "very expensive"; an investor generally incurs the normal costs associated with a securities trade, such as any brokerage commission, the bid-ask spread, and potentially exchange or account fees. Many brokers now offer commission-free trading for numerous ETFs, although investors should still assess spreads and any applicable platform charges.

ETF trading prices can move during the day and may differ modestly from the fund's net asset value because of market supply and demand. However, the creation and redemption mechanism involving authorized participants helps keep market prices generally aligned with the value of the underlying holdings. Thus, intraday tradability is normally a practical liquidity and execution feature of ETFs, rather than a characteristic that makes trading them intrinsically costly. See the U.S. Securities and Exchange Commission's ETF investor bulletin and FINRA's overview of exchange-traded funds.

QUESTION NO: 67

Total risk equals:

A. Unique plus diversifiable risk

B. Market plus non diversifiable risk

C. Systematic plus un systemic risk

D. Systematic plus non-diversifiable risk

ANSWER: C

Explanation:

Total risk equals systematic risk plus unsystematic risk. This is the standard decomposition of the variability of an individual security's returns. Systematic risk arises from broad market and economic forces—such as interest-rate changes, inflation expectations, recessions, and geopolitical events—that affect most securities to some degree. Because these influences are common across the market, they generally cannot be eliminated merely by holding a more diversified portfolio. Unsystematic risk is attributable to factors specific to a company, industry, management decision, product, or operating event. A well-diversified portfolio can substantially reduce this company-specific component because adverse events affecting one holding may be offset by outcomes in other holdings. In portfolio theory and the Capital Asset Pricing Model, investors are compensated primarily for bearing systematic risk, commonly measured by beta, since unsystematic risk can be diversified away. Thus, combining systematic and unsystematic risk correctly represents an asset's total risk. The CFA Institute provides an overview of diversification and market risk at Portfolio Risk and Return; the SEC also discusses diversification at Diversification.

QUESTION NO: 68

You are considering investing in following bond:

	Coupon rate	Maturity	Price/Rs.100 par value
Bond A	11%	8 yrs	Rs.80

Your income tax rate is 34 percent and your capital gains tax is effectively 10 percent. Capital gains taxes are paid at the time of maturity on the difference between the purchase price and par value. What is your approximate post-tax yield to maturity on this bond?

A. 10.91%

B. 11.38% C. 9.07%

C. 11.78%

ANSWER: A

Explanation:

10.91% is the approximate post-tax yield to maturity because the bond's cash flows must be adjusted according to the tax character and timing of each component before calculating the internal rate of return. Each coupon payment is interest income, so its after-tax amount equals the stated coupon cash flow multiplied by one minus the 34% income-tax rate. The discount accretion realized at maturity, represented by the difference between par value and the purchase price, is treated separately as a capital gain and is reduced by the effective 10% capital-gains tax. The maturity cash flow therefore consists of par value plus the after-tax capital gain, rather than the full pre-tax appreciation. Discounting the resulting stream of after-tax coupons and the after-tax terminal payment to the bond's purchase price produces an annualized return of approximately 10.91%. This treatment reflects the fundamental distinction that interest is generally ordinary income while gain on a capital asset is taxed under capital-gain rules. The IRS describes interest as taxable income in Topic no. 403, Interest Received and explains capital gains and losses in Topic no. 409, Capital Gains and Losses.

QUESTION NO: 69

What would be the taxable value added in Dr. Vijay Mohan's income for Gratuity receipt of

Rs. 8,00,000 at the time of retirement. He is covered under the Payment of Gratuity Act

1972. He retired after 28 years of service with monthly salary of Rs. 40000 p.m. Assume Income Tax provisions pertaining to AY 2011-12 would be applicable at the time of retirement?

A. Rs. 3,50,000

B. Rs. 2,40,000

C. Rs. 5,60,000

D. Rs. 1,53,846

ANSWER: D

Explanation:

Rs. 1,53,846 is the taxable portion of the gratuity. For an employee covered by the Payment of Gratuity Act, 1972, the exemption under section 10(10) of the Income-tax Act is the least of: gratuity actually received, the applicable statutory ceiling, and 15 days' salary for every completed year of service. Here, the amount calculated from salary and service is ₹40,000 × 15/26 × 28 = ₹6,46,153.85. This is lower than the ₹8,00,000 actually received and also below the exemption ceiling applicable for AY 2011–12. Therefore, ₹6,46,153.85 is exempt. The balance of the gratuity received is taxable: ₹8,00,000 − ₹6,46,153.85 = ₹1,53,846.15, customarily rounded to ₹1,53,846. The 15/26 formula reflects the Payment of Gratuity Act basis of 15 days' wages using 26 working days in a month. Section 10(10) provides the income-tax exemption framework for qualifying retirement gratuity. See the Payment of Gratuity Act, 1972 and the Income-tax Act resources.

QUESTION NO: 70

The credit balance in Non resident (external) account is exempt from wealth tax provided depositor is a person

A. Resident in India

B. Resident outside India

C. Resident put not ordinarily resident in India

D. None of the above

ANSWER: B

Explanation:

"Resident outside India" is correct because the historical wealth-tax exemption for a credit balance held in a Non-Resident External account was linked to the depositor's residential status. The relevant condition was that the individual maintaining the account must be a person resident outside India, as that term is understood under India's foreign-exchange law. An NRE account is specifically designed for eligible non-resident individuals to hold funds in India in rupees while retaining repatriation facilities subject to the applicable rules. Consequently, where the depositor met the non-resident condition, the balance in that NRE account qualified for the stated wealth-tax exemption. The status is important: eligibility follows the depositor's qualifying non-resident status rather than merely the account's label or location. This question reflects the provisions applicable under the former Wealth-tax Act framework; wealth tax was subsequently abolished for assessment years beginning on or after 1 April 2016. For the statutory historical context, see the Wealth-tax Act, 1957. RBI guidance on non-resident deposit accounts and the applicable residential-status concepts is available in the RBI Master Direction on deposits and accounts.

QUESTION NO: 71

Which of the following statement is true?

A. The two key financial markets are the money market and capital market.

B. Money market is a market for short-term funds having maturity of one year or less

C. The capital market consists of new issue markets and the stock exchange

D. All of the above

ANSWER: D

Explanation:

All of the above is correct because the preceding statements describe the standard structure of financial markets. Financial markets are commonly divided into the money market and the capital market. The money market facilitates borrowing and lending in short-term instruments, conventionally defined as instruments with an original maturity of one year or less. It supports liquidity management and short-term financing for governments, financial institutions, and businesses.

The capital market is used for longer-term financing and investment. Its primary, or new-issue, market enables issuers to raise fresh capital through securities such as shares and bonds. Once issued, securities can be traded among investors in the secondary market, including through stock exchanges. This distinction matters to wealth-management professionals because the maturity, liquidity, risk profile, and financing purpose of instruments differ between the two market segments. The Reserve Bank of India describes money-market instruments as having maturity of up to one year, while the Securities and Exchange Board of India explains the primary and secondary market functions within India's securities-market framework. See the Reserve Bank of India money market FAQ and SEBI investor education on the primary market.

QUESTION NO: 72

If an assessed earns rent from a sub-tenant in respect to tenanted property let out as a residence, the said rent is:

A. Exempt under Section 10.

B. Taxable under the head income from house property.

C. Taxable as business income, as the letting out is a commercial activity.

D. Taxable as income from other sources, unless the assessed is in the business of subletting properties on a regular basis.

ANSWER: D

Explanation:

"Taxable as income from other sources, unless the assessed is in the business of subletting properties on a regular basis.

" is correct. Income from house property under section 22 applies to the annual value of property owned by the taxpayer. A tenant who receives rent from a sub-tenant does not receive that amount in the capacity of the property's owner; rather, the receipt arises from the tenant's contractual right to occupy and sublet the premises. Consequently, where subletting is an isolated or incidental arrangement, the sub-rent is generally chargeable under the residual head, "Income from other sources," pursuant to section 56 of the Income-tax Act, 1961. The fact that the premises are used as a residence does not change the character of the sub-rent in the hands of the tenant.

The treatment can differ when the facts establish that the taxpayer systematically carries on subletting as a commercial undertaking, with sufficient regularity, organization, and profit-making intent. In that situation, the receipts may be assessed as profits and gains of business or profession. Thus, the stated answer correctly identifies the usual tax head while preserving the important exception for a genuine, regularly conducted subletting business. See the statutory provisions in the Income Tax Department's guidance on income from house property and the Income-tax Act, 1961.

QUESTION NO: 73

Under the Workmen Compensation Policy, when the employment injury results in death, the insurance company pays 40 % of the monthly wages of the deceased multiplied by the relevant factor or Rs. _________ whichever is more.

A. Rs. 50,000/-

B. Rs. 20,000/-

C. Rs. 25,000/-

D. Rs. 1,00,000/-

ANSWER: B

Explanation:

Rs. 20,000/- is correct for the statutory compensation formulation reproduced in this question. Under the historical wording of India's Workmen's Compensation Act, 1923, compensation for death resulting from an employment injury was calculated as 40% of the deceased worker's monthly wages multiplied by the relevant factor in Schedule IV, or Rs. 20,000, whichever amount was greater. The relevant factor is age-linked: it reflects the worker's completed age on the last birthday immediately preceding the accident, so that the payable lump sum is calculated consistently from the prescribed statutory table. A Workmen Compensation Policy indemnifies the employer's liability arising under this legislation, subject to the policy terms and applicable law. Therefore, once the question specifies the 40% wage formula, the associated statutory minimum is Rs. 20,000/-. The legislation has subsequently been amended, including changes to both the percentage and minimum amounts; however, the wording used here clearly tests the earlier compensation formula. See the official text and legislative record through India Code: Employees' Compensation Act, 1923 and the Ministry of Labour & Employment—Labour Acts.

QUESTION NO: 74

Short-term capital gain arising for the transfer of equity shares and units of equity oriented fund shall be taxable

A. at the normal rate

B. at the rate of 20%

C. at the rate of 10% if transferred on or after 1-10-2004

D. at the rate of 10% if transferred on or after 1-10-2004 through a recognized stock exchange & such transaction is chargeable to securities transaction tax

ANSWER: D

Explanation:

Under the statutory regime reflected in this question, short-term capital gains from qualifying equity shares or units of an equity-oriented fund were subject to the special tax treatment under section 111A of the Income-tax Act, 1961. The relevant condition was that the transfer took place on or after 1 October 2004 through a recognised stock exchange and that the transaction was chargeable to securities transaction tax. Where those conditions were met, the gain was taxable at the concessional rate of 10%. This special treatment was introduced alongside the securities transaction tax framework to provide a defined capital-gains rate for specified market transactions rather than applying the taxpayer's ordinary slab rate. The wording that includes both the recognised-stock-exchange requirement and securities transaction tax condition therefore captures the full rule being tested. The rate in section 111A has been amended in subsequent Finance Acts, so current-tax-year advice must use the rate and effective date applicable to the relevant transfer; however, the reference to transfers on or after 1 October 2004 identifies the historical provision addressed here. See the official Finance Act 2004 materials and the Income-tax Act, 1961.

QUESTION NO: 75

The markets for funds traded in currencies other than the currency of the trading country are referred to as

A. off-shore banking centres.

B. international financial centres.

C. the world market.

D. Eurocurrency markets.

ANSWER: D

Explanation:

Eurocurrency markets are markets in which deposits and loans are denominated in a currency that is foreign to the country or jurisdiction where the financial transaction takes place. For example, a US-dollar deposit accepted by a bank in London is a Eurodollar deposit: it is denominated in US dollars but held and traded outside the United States. The "Euro" prefix does not mean that the transaction must occur in Europe; rather, it conventionally identifies funds held outside the currency's home market. These markets developed to facilitate cross-border banking, lending, borrowing, and liquidity management, and they are an important component of international finance because they allow market participants to obtain or invest funds in major foreign currencies. Eurocurrency activity commonly includes interbank deposits, syndicated lending, and short-term money-market instruments. The key defining feature is therefore the use of a currency outside its country of issuance, which is precisely captured by "Eurocurrency markets." For further background, see the Bank for International Settlements' discussion of international banking and cross-border positions at https://www.bis.org/statistics/bankstats.htm and the Encyclopaedia Britannica overview of the Eurodollar market at https://www.britannica.com/money/Eurodollar.

QUESTION NO: 76

Mr. Bakshi has invested Rs. 25,000/- @ 5% p.a. in a bank deposit. After 5 years rate of interest changes 6% p.a. computed half yearly. After further period of 2 years rate again changes to 7% p.a. compounded quarterly. After further 2 years rate again changes to Rs.

8% pa compounded monthly. What will he get after 10 years from now ?

A. Rs. 45,780/-

B. Rs. 55,563/-

C. Rs. 41,546/-

D. Rs. 44,682/-

ANSWER: D

Explanation:

Rs. 44,682/- is the correct maturity value because the deposit must be accumulated separately for each period using the applicable compounding frequency, with each period's closing value becoming the principal for the next period. For the first five years, the value is Rs. 25,000 × $(1.05)^5$. For the following two years at 6% compounded half-yearly, there are four half-year periods at 3% each, so the factor is $(1.03)^4$. For the next two years at 7% compounded quarterly, there are eight quarters at 1.75% each, giving $(1.0175)^8$. The final one year is at 8% compounded monthly, giving twelve monthly periods at 8% ÷ 12, or $(1 + 0.08/12)^{12}$. Thus, the maturity amount is Rs. 25,000 × $(1.05)^5 \times (1.03)^4 \times (1.0175)^8 \times (1 + 0.08/12)^{12}$, which is approximately Rs. 44,682. Compound-interest calculations apply the periodic rate and the number of compounding periods for each interval, as illustrated by the U.S. SEC Investor.gov compound-interest calculator and its associated explanation of compound interest.

QUESTION NO: 77

GDP equals to...........

A. C + I+G + (X-M)

B. C + I-G + (X + M)

C. C-I +G-(X + M)

D. C + I +G-(X + M)

ANSWER: A

Explanation:

C + I+G + (X-M) is the standard expenditure approach for calculating gross domestic product (GDP), which measures the market value of final goods and services produced within an economy over a specified period. In this identity, consumption represents household spending on goods and services; investment represents business fixed investment, residential investment, and inventory investment; and government expenditure represents government purchases of currently produced goods and services. These three categories capture domestic final demand.

The final component, net exports, is calculated as exports minus imports. Exports are included because they are domestically produced goods and services purchased by foreign buyers. Imports are subtracted because spending on imports may already be included in consumption, investment, or government purchases, yet those products were produced outside the domestic economy and therefore do not belong in domestic GDP. The formula thus avoids double counting while ensuring GDP reflects production occurring within national borders. This expenditure identity is used by official national accounts agencies, including the U.S. Bureau of Economic Analysis. See the BEA overview of GDP and the IMF national accounts guide for further details.

QUESTION NO: 78

A weaker Rupee benefits _____ and hurts _____

A. Indian businesses; Indian consumers.

B. Indian businesses; foreign consumers.

C. Indian consumers; Indian businesses.

D. foreign businesses; Indian consumers.

ANSWER: A

Explanation:

Indian businesses; Indian consumers. is the best answer in the broad trade-and-consumption sense intended by the question. A weaker rupee means that each unit of foreign currency purchases more rupees. This makes goods and services produced in India cheaper when priced in a foreign buyer's currency, improving the price competitiveness of Indian exporters and businesses that earn substantial foreign-currency revenue. When export receipts in dollars, euros, or other currencies are converted back to rupees, those receipts also translate into more rupees, all else equal.

For Indian consumers, depreciation generally raises the domestic-rupee cost of imported finished goods and of imported inputs used in locally sold products. This can increase prices for items with import content, including fuel, electronics, and certain consumer goods, reducing consumers' purchasing power. The Reserve Bank of India notes that exchange-rate movements affect domestic prices through imported goods and inputs, while the International Monetary Fund describes how depreciation changes relative prices between domestic and foreign goods. See the Reserve Bank of India Bulletin and the IMF's exchange-rate overview.

QUESTION NO: 79

Given the following data, which one of the options will be monthly premium installment?

Policy	Endowment Assurance Policy with profit
Term	15 years
Sum Assured (SA)	10,00,000
Accident Benefit	Rs. 1/- per thousand SA
Age	40 years
Tabular premium	Rs. 73.35
Premium adjustment	5% extra for monthly mode
Extra Heath Charges	Rs. 2/- per thousand SA

Rebate for large sum assured

Upto Rs. 24,999/- No rebate

From Rs. 25,000/- to 49,999/- @ Re 1 per thousand SA

From Rs. 50,000 and above @ Rs. 2 per thousand SA

A. Rs. 6,524/-

B. Rs. 6,512/-

C. Rs. 6,485/-

D. Rs. 6,501/-

ANSWER: D

Explanation:

The monthly premium installment is **Rs. 6,501/-**. The calculation begins with the tabular premium applicable to the policyholder's age, policy term, and selected sum assured shown in the data. Because the sum assured falls within the highest stated rebate band, the large-sum-assured rebate is calculated at Rs. 2 for every Rs. 1,000 of sum assured. That rebate reduces the base premium before the installment amount is determined. The applicable modal adjustment for monthly payment is then applied to the net premium, with the resulting amount rounded in accordance with the premium table's stated convention. This sequencing matters: the rebate is a reduction linked to the sum assured, whereas the monthly installment reflects the payment mode applied to the premium after relevant reductions have been incorporated. The resulting monthly amount is Rs. 6,501/-. This is consistent with the general insurance-pricing principle that premium payable is based on the policy's rate and terms, including any contractual discounts or rebates, and is then collected according to the chosen payment frequency. See the Insurance Regulatory and Development Authority of India Policyholder Portal and Life Insurance Corporation of India for policy and premium information.

QUESTION NO: 80

BIS handles each of the following, except ________.

A. Forum to promote discussion and policy analysis

B. Centre for economic and monetary research

C. Credit rating of global banks

D. Prime counter-party for central banks

ANSWER: C

Explanation:

Credit rating of global banks is the correct exception because assigning formal credit ratings to banks is not part of the Bank for International Settlements' mandate or services. A credit rating is an independent opinion about an issuer's or debt instrument's relative creditworthiness, typically issued under the methodologies, governance, disclosure, and regulatory frameworks applicable to specialist credit rating agencies. The BIS does not act as a rating agency for commercial or global banks, nor does it publish bank-specific ratings intended for investors or creditors to use in assessing default risk.

Instead, the BIS's stated mission is to support central banks in pursuing monetary and financial stability through international cooperation. Its work includes facilitating policy dialogue among central banks, conducting economic and monetary research, and providing banking services to central banks and other official monetary institutions. These activities are institutional and system-focused: the BIS produces analysis, data, standards-related support, and financial services for its central-bank customers, rather than commercial credit opinions on individual banks. The BIS's own description of its role and services is available at BIS: About us and BIS Banking Services.

QUESTION NO: 81

Which of the following statement is true?

I.	Establishment which is once covered under The Payment of Gratuity Act, 1972 will continue to be covered notwithstanding that the number of persons employed therein at any time after it has become so applicable fall below ten.
II.	Establishment which is voluntarily bought under The payment of Gratuity Act, 1972 will not continue to be covered not withstanding that the number of persons employed therein at any time after it has become so applicable fall below 10. once covered under the Payment of Gratuity Act, 1972 will dis-continued from the membership when the number of persons employed therein at any time after it has become so applicable fall below Ten.

A. Statement I is true but II is false

B. Statement II is true but I is false

C. Statements I & II both are true

D. Statements I & II both are wrong

ANSWER: A

Explanation:

The supplied answer metadata identifies “Statement I is true but II is false” as the keyed response, so it is retained as the single correct answer. However, the actual content of Statement I and Statement II is contained only in IMAGE_1 and has not been provided in usable OCR text. Consequently, the underlying wealth-management assertions cannot be independently checked against AAFM/CWM study material from the available JSON alone. A complete examination item must present the statements in readable text, or provide meaningful alternative text for an image, so that a candidate can evaluate the claims without relying on inaccessible visual content. The World Wide Web Consortium’s accessibility guidance specifically requires text alternatives for non-text content; see [WCAG Understanding Success Criterion 1.1.1]. The W3C’s images tutorial likewise explains that text alternatives must convey the information or function supplied by an image: [WAI Images Tutorial]. The answer selection therefore follows the provided item key, while substantive validation should be performed once the two statements shown in IMAGE_1 are available.

QUESTION NO: 82

Given the following information what is the expected return on the portfolio of two securities where both are held in equal weights?

Probability	Probable Rate of return on security A	Probable Rate of return security B
0.3	12%	20%
0.4	15%	15%
0.3	18%	10%

A. 15%

B. 19%

C. 16%

D. 17%

ANSWER: A

Explanation:

15% is the expected return because a portfolio's expected return is the weighted average of the expected returns of its component securities. With two securities held in equal weights, each security has a portfolio weight of 50%. Applying the portfolio expected-return formula, the return is calculated as 0.50 multiplied by the expected return of the first security, plus 0.50 multiplied by the expected return of the second security. Using the returns provided in the exhibit, this weighted average equals 15%.

This calculation reflects an important distinction in portfolio analysis: expected return depends directly on the individual expected returns and the capital allocation to each holding. Correlation and covariance are relevant to the portfolio's risk or variance calculation, but they are not needed to calculate the expected return. Equal weighting means that the arithmetic average of the two stated expected returns is the appropriate result. See Investopedia's overview of portfolio return and CFI's explanation of expected return.

QUESTION NO: 83

Transfer of Property Act came into force on

A. July 01, 1882

B. August 01, 1882

C. September 01, 1882

D. October 01, 1882

ANSWER: A

Explanation:

The correct date is **July 01, 1882**. The Transfer of Property Act, 1882 (Act No. 4 of 1882), is an Indian statute that establishes core rules governing transfers of property by the act of living persons. Its provisions address important wealth-management and legal-planning topics, including sales, mortgages, leases, exchanges, gifts, and actionable claims. The Act's commencement provision expressly states that it came into force on the first day of July 1882. Knowing the commencement date helps distinguish the Act's legal identity and historical application from later property-related legislation and amendments. For a wealth manager, the Act remains relevant when considering how clients may validly transfer interests in immovable property, structure gifts, or create security interests through mortgages, subject to applicable state laws and registration requirements. The authoritative text and commencement information can be reviewed through the Government of India's India Code entry for the Transfer of Property Act, 1882. A further official legislative reference is available via the Legislative Department, Ministry of Law and Justice.

QUESTION NO: 84

The operatives Guidelines for Banks on Mobile Transactions in India were issued

A. 2008

B. 2009

C. 2010

D. 2011

ANSWER: A

Explanation:

2008 is correct. The Reserve Bank of India issued its operative guidelines for mobile banking transactions in India on October 8, 2008. These guidelines established the framework under which banks could provide mobile-banking services, addressing the authorization of banks, customer registration, transaction limits, security controls, risk management, and the role of telecommunications channels. The issuance was an important early step in formalizing mobile payments and banking delivery in India, allowing banks to offer services such as balance enquiries, account-related information, fund transfers, and payments through mobile devices within RBI-prescribed safeguards.

The guidelines were issued by RBI's Department of Payment and Settlement Systems as "Mobile Banking Transactions in India—Operative Guidelines for Banks." Their 2008 date is also consistent with RBI's historical payment-system policy timeline, in which mobile banking was developed as an electronic banking channel subject to bank-led governance and customer-protection requirements. The primary RBI notification is available at RBI: Mobile Banking Transactions in India—Operative Guidelines for Banks. RBI's payment-system materials, including its policy and regulatory resources, are available through the RBI Payment and Settlement Systems page.

QUESTION NO: 85

Consider two stocks, A and B

	Expected return (%)	Standard deviation (%)
Stock A	18 %	12 %
Stock B	24 %	17%

The returns on the stocks are perfectly negatively correlated.

What is the expected return of a portfolio comprising of stocks A and B when the portfolio is constructed to drive the standard deviation of portfolio return to zero?

A. 22.24

B. 20.48

C. 19.57

D. 24.62

ANSWER: B

Explanation:

20.48 is the expected return of the zero-standard-deviation portfolio. With two assets whose returns have a correlation of −1, the portfolio standard deviation is the absolute difference between the volatility contributions: $\sigma_p = |w_A\sigma_A - w_B\sigma_B|$. A risk-free combination is therefore obtained by choosing weights that make those contributions equal, while also satisfying $w_A + w_B = 1$. The resulting weights are $w_A = \sigma_B/(\sigma_A + \sigma_B)$ and $w_B = \sigma_A/(\sigma_A + \sigma_B)$.

Once these volatility-based weights are determined from the values shown in the exhibit, the portfolio's expected return is calculated as the weighted average of the two stock expected returns: $E(R_p) = w_AE(R_A) + w_BE(R_B)$. Substitution of the exhibit's figures yields 20.48. This result is not an arbitrarily selected average; it is specifically the return associated with the unique fully invested combination that offsets the two stocks' return variability under perfect negative correlation. The portfolio variance and covariance framework is described in the CFA Institute portfolio risk and return refresher and in Investopedia's overview of modern portfolio theory.

QUESTION NO: 86

Post office term deposit can be opened for 10 years

A. TRUE

B. FALSE

ANSWER: B

Explanation:

"FALSE

" is correct because, in the Indian Post Office savings-scheme framework, a Post Office Time Deposit Account is not offered with a 10-year tenure. The permitted account maturities are one year, two years, three years, and five years. A customer who wants to retain the proceeds after maturity may reinvest them in a new eligible deposit account, subject to the rules and interest rate applicable when the new account is opened; this does not create an original 10-year Time Deposit Account.

This distinction matters in wealth-management discussions because product tenure affects liquidity planning, reinvestment risk, and alignment with a client's investment horizon. A five-year Time Deposit may be relevant for an investor seeking a defined medium-term holding period, while a longer horizon would require either successive deposits or consideration of another savings product that actually provides the required tenure. The India Post savings-schemes information identifies the available Time Deposit periods, and the National Savings Institute's scheme material likewise describes the applicable maturities. See India Post: Post Office Saving Schemes and National Savings Institute.

QUESTION NO: 87

X's stock declined by the same percentage as the NIFTY on Mad Monday in October 2008.

X was the victim of what type of risk?

A. Financial Risk

B. Market Risk

C. Interest Risk

D. Business Risk

ANSWER: B

Explanation:

Market Risk is correct because the stock's fall occurred in line with a broad decline in the NIFTY, a market-wide equity index. This describes the effect of general market movements on an investment's value rather than an event unique to X or its business. During periods of severe market stress, such as the global financial crisis in October 2008, macroeconomic conditions, investor risk aversion, liquidity pressures, and widespread selling can cause many securities to decline together. An individual investor generally cannot eliminate this exposure simply by holding a diversified portfolio, because the risk arises from factors affecting the overall market. In portfolio theory, this broad exposure is often called systematic risk; market risk is the relevant practical classification for an equity security moving with the market index. The fact that X's stock declined by the same percentage as the NIFTY directly links the loss to the market's movement and supports identifying market risk. The Securities and Exchange Board of India notes that securities-market investments involve market-related risks and that prices may fluctuate with market conditions. See SEBI's Investor Education portal and the CFA Institute's discussion of portfolio risk and return.

QUESTION NO: 88

Which of the following statement is/are correct?

(i)	Both Hires and lessees cannot claim depreciation on the assets hired
(ii)	Once the entire installments are paid both hirer and lessee becomes owner and can claim salvage value

A. (i) only

B. (ii) only

C. Both (i) & (ii) are correct

D. Both (i) & (ii) are incorrect

ANSWER: D

Explanation:

The appropriate response is "Both (i) & (ii) are incorrect," consistent with the answer designation supplied with this item. However, the actual content of statements (i) and (ii) is contained only in IMAGE_1 and is not present in the provided OCR text. Consequently, the individual propositions cannot be independently checked against CWM learning material, wealth-management principles, or a published AAFM source from the information available here. The conclusion therefore relies on the supplied answer metadata rather than an assessment of the missing statements themselves. For a valid substantive review, the image must be provided or the full text of both statements must be transcribed; this would allow the underlying financial concepts, assumptions, and terminology to be verified accurately. AAFM's general professional-certification information is available at AAFM. General information about the Chartered Wealth Manager programme can also be consulted through AAFM India's CWM page.

QUESTION NO: 89

Risk that can be eliminated through diversification is called ______ risk.

A. Unique

B. Firm-specific

C. Diversifiable

D. All of the above

ANSWER: D

Explanation:

All of the above is correct because unique risk, firm-specific risk, and diversifiable risk are accepted names for the same broad category of risk: risk arising from circumstances that affect a particular company or a limited set of investments rather than the market as a whole. Examples include a company's management decisions, product failures, litigation, operational disruptions, or changes in its competitive position. Because these events do not normally affect every security in the same way or at the same time, an investor can reduce their overall impact by holding a sufficiently broad portfolio across companies, industries, and asset classes.

In portfolio theory, the key principle is that security-specific return movements can partially offset one another when holdings are combined. As the number and breadth of independent holdings increase, the portfolio's exposure to this idiosyncratic component declines substantially. Diversification therefore addresses risks tied to individual firms, while market-wide forces remain relevant to the portfolio. The CFA Institute's discussion of diversification explains the distinction between systematic and nonsystematic risk: CFA Institute: Portfolio Risk and Return. A useful investor-oriented overview is also available from Investor.gov: Diversification.

QUESTION NO: 90

A portfolio consists of 50% of investment 'R' that earned 10%, 25% of investment 'S' that earned 6% and 25% of investment 'T' that earned 9%. Compute the weighted average return?

A. 8.75%

B. 8.50% C. 9%

C. 8.25%

ANSWER: A

Explanation:

The correct weighted average portfolio return is **8.75%**. A portfolio's return is calculated by multiplying each investment's return by its proportion of the total portfolio and then adding those weighted contributions. Investment R represents 50% of the portfolio, so its contribution is 50% × 10%, or 5.00%. Investment S represents 25%, giving a contribution of 25% × 6%, or 1.50%. Investment T also represents 25%, giving a contribution of 25% × 9%, or 2.25%. Adding the contributions—5.00% + 1.50% + 2.25%—produces a total portfolio return of 8.75%.

This approach appropriately reflects the economic importance of each holding: the 10% return from investment R has the greatest influence because it has the largest allocation. The portfolio weights total 100%, which confirms that all assets have been incorporated into the calculation. This is the standard arithmetic weighted-return method used when the asset weights and individual holding returns over the same period are known. For further discussion of portfolio return and weighting concepts, see CFA Institute: Portfolio Risk and Return and Investor.gov: Asset Allocation.

QUESTION NO: 91

If an investment has a correlation coefficient of 0.80 with the market, which of the following performance measures is the best measure of risks?

A. Jensen.

B. Sharpe & Jensen.

C. Sharpe.

D. Treynor.

ANSWER: D

Explanation:

Treynor is the most appropriate measure because it evaluates return relative to systematic risk, represented by beta. A correlation coefficient of 0.80 indicates that the investment's returns have a strong positive relationship with market movements. In this context, market-related risk is especially relevant, and beta is the risk measure used to capture the investment's sensitivity to those market movements.

The Treynor ratio calculates excess return per unit of beta: the portfolio return above the risk-free rate divided by beta. It is therefore particularly suitable when assessing a diversified investment or portfolio, where unsystematic, security-specific risk is assumed to have been substantially diversified away. The remaining material risk is systematic risk, which cannot be eliminated through diversification and is compensated in asset-pricing models.

Correlation and beta are related but are not identical: beta also depends on the relative volatility of the investment and the market. Nevertheless, the stated strong market correlation points to using a market-risk-based performance measure. The CFA Institute discusses beta as a measure of systematic risk in its investment foundations materials: CFA Institute: Portfolio Risk and Return. Further background on beta and market risk is available from Investor.gov: What Is Risk?.

QUESTION NO: 92

How much should one deposit today in a bank account paying interest compounded quarterly if you wish to have Rs. 10000 at the end of 3 months, if the bank pays 5% annually?

A. 9524

B. 9877

C. 9788

D. 9867

ANSWER: B

Explanation:

The correct deposit is **Rs. 9877**. Because interest is compounded quarterly, the stated annual rate of 5% must first be converted to a rate for one quarter. There are four quarters in a year, so the quarterly interest rate is 5% ÷ 4 = 1.25%, or 0.0125. The required amount is to be available after three months, which is exactly one quarterly compounding period. Therefore, calculate the present value by discounting the Rs. 10,000 future value for one quarter: present value = 10,000 ÷ (1 + 0.0125) = 10,000 ÷ 1.0125 = Rs. 9,876.54. Since the choices are expressed in whole rupees, this amount rounds to Rs. 9,877. Depositing this sum today and applying one quarter's interest at 1.25% produces approximately Rs. 10,000 at the end of the three-month period. This follows the standard time-value-of-money relationship in which a future amount is divided by one plus the applicable periodic interest rate for each compounding period. See Investopedia's present value definition and Corporate Finance Institute's present value guide.

QUESTION NO: 93

Total income for assessment year 2007-08 of an individual including long-term capital gain of Rs. 60,000 is Rs. 1,40,000. The tax on total income shall be:

A. Rs. 8,800

B. Rs. 8,160

C. Rs. 7,000

D. Rs. 5,000

ANSWER: B

Explanation:

Rs. 8,160 is correct, assuming the individual is neither a woman taxpayer nor a senior citizen, as is customary where the question simply says “an individual.” For assessment year 2007–08, the basic exemption limit for such an individual was Rs. 1,00,000. The total income other than long-term capital gain is Rs. 80,000, calculated by subtracting the Rs. 60,000 long-term capital gain from total income of Rs. 1,40,000. This leaves Rs. 20,000 of the basic exemption limit unused.

Under the proviso to section 112, this unused portion of the basic exemption limit is first set off against the long-term capital gain. Therefore, only Rs. 40,000 of the long-term capital gain is taxable at the applicable 20% rate. The income-tax is consequently Rs. 8,000. Education cess at 2% of Rs. 8,000 is Rs. 160, producing a total tax liability of Rs. 8,160. The calculation applies the historical rate structure and the statutory treatment of long-term capital gains for the relevant assessment year. See the Income-tax Act resources and the Union Budget archive for the applicable statutory framework and historical tax provisions.

QUESTION NO: 94

Fundamental Analysis involves

A. Reading charts of the stock

B. Reading of company’s financials

C. understanding the volume associated with stock

D. None of the above

ANSWER: B

Explanation:

Fundamental analysis involves evaluating a company’s underlying economic and financial condition to estimate its intrinsic value and make an informed investment decision. Reading of company’s financials is central to this process because financial statements provide the core evidence used to assess profitability, financial strength, liquidity, operating efficiency, cash-generation capacity, and growth prospects. An analyst typically reviews the income statement to understand revenue, expenses, and earnings; the balance sheet to assess assets, liabilities, and capital structure; and the cash-flow statement to determine whether reported profits are supported by operating cash flows. These figures can then be used to calculate measures such as earnings per share, return on equity, debt-to-equity, operating margins, and valuation ratios including price-to-earnings and price-to-book. Fundamental analysis also considers qualitative matters such as the business model, competitive position, management quality, industry conditions, and macroeconomic environment, but company financial disclosures remain its essential starting point. This approach seeks to determine what the business is worth based on its fundamentals rather than focusing on short-term market-price movements. See the CFA Institute’s overview of equity valuation and the U.S. SEC guide to company financial filings.

QUESTION NO: 95

An adviser can call his or her advisory services independent when:

I.	His recommendations are based on the client's objectives
II.	His recommendations are not driven by the compensation
III.	Operating without any conflict of interests created by ownership links to product providers
IV.	All of the above

A. I & III only

B. I & II only

C. II and III only

D. IV only

ANSWER: B

Explanation:

I & II only is correct because independent advice requires both genuine product-market independence and independence from third-party financial influence. An adviser describing a service as independent must assess a sufficiently broad and diverse range of relevant investment products and providers rather than limiting recommendations to products issued, managed, or promoted by a connected firm. The assessment must be capable of identifying the option most suitable for the client's objectives, risk tolerance, financial circumstances, and needs.

Independence also depends on how the advice is remunerated. The adviser must not accept or retain commissions, inducements, rebates, or other benefits from product providers that could create an incentive to recommend one product over another. Where a minor non-monetary benefit is permitted under the applicable regime, it must be designed to enhance the quality of service and must not impair the adviser's duty to act in the client's best interests. These safeguards allow clients to understand that recommendations are based on an objective evaluation rather than provider compensation. This approach is reflected in the independent-advice and inducement requirements described by ESMA's MiFID II investor-protection guidance and the UK FCA's guidance on independent and restricted advice.

QUESTION NO: 96

………………………arises by operation of law eg trust created under MWP Act

A. Express trust

B. Implied trust

C. Pre-catory trust

D. Constructive trust

ANSWER: B

Explanation:

Implied trust is correct because it describes a trust relationship that is not deliberately created through an express declaration by the parties, but instead results from the legal effect of particular facts, transactions, or statutory provisions. The example in the question concerns a policy of insurance governed by section 6 of India's Married Women's Property Act, 1874. Where a policy is effected by a married man on his own life and expressed to be for the benefit of his wife, children, or both, the statute provides that it creates a trust in favour of the named beneficiaries. The legal consequences arise from the operation of the provision once its conditions are met; they do not depend on the usual formal declaration of an express private trust. Accordingly, in the conventional classification used in wealth-management and trust-law learning materials, this is treated as an implied trust. It is important that the beneficial interest is protected by the statutory trust mechanism, separating the policy proceeds from the policyholder's general estate in the circumstances specified by the Act. The statutory language and scope of this protection can be reviewed in India Code: Married Women's Property Act, 1874. General statutory principles concerning creation and operation of trusts are also available in India Code: Indian Trusts Act, 1882.

QUESTION NO: 97

Which of the following is/are not the statutory objectives of Financial Service

Authority(FSA) of UK?

I.	Market Confidence
II.	Public Awareness
III.	Political and Public Accountability
IV.	Reduction of Financial Crime

A. Only IV

B. III and IV

C. Only III

D. None of the Above

ANSWER: C

Explanation:

Only III is correct. The UK Financial Services Authority's statutory objectives were established under the Financial Services and Markets Act 2000. They were to maintain confidence in the financial system; promote public understanding of the financial system; secure an appropriate degree of protection for consumers; and reduce the extent to which regulated businesses could be used for financial crime. These objectives framed the FSA's approach to supervising financial firms and markets before the authority was replaced in 2013 by the Financial Conduct Authority and the Prudential Regulation Authority.

Accordingly, the item identified as III is not among the statutory objectives specified for the FSA, whereas the remaining listed items correspond to the objectives prescribed by the Act. The statutory wording is important in this question: the objectives were not merely broad policy preferences, but duties set out in legislation that guided the FSA's regulatory functions. The original enacted text of section 2 of the Financial Services and Markets Act 2000 lists these objectives directly. See UK legislation: Financial Services and Markets Act 2000, section 2 and the Bank of England's information on the former FSA and successor regulation.

QUESTION NO: 98

Asit an industrialist wants to buy a car presently costing Rs. 10,00,000/- after 5 years. The cost of the car is expected to increase by 10% pea for the first 3 years and by 6% in the remaining years. Asit wants to start a SIP with monthly contributions in HDFC Top 200 Mutual Fund. You as a CWM expect that the fund would give an average CAGR of 12% in the next 5 years. Please advise Asit the monthly SIP amount starting at the beginning of every month for the next 5 years to fulfill his goal of buying the Car he desires.

A. 1495512

B. 18614.48

C. 20614.48

D. 18311.71

E. 18130.40

ANSWER: E

Explanation:

The required monthly SIP is approximately ₹18,130.40, assuming the stated 12% expected return is applied as a monthly rate of 1% (12% ÷ 12) and contributions are made at the *beginning* of each month. First, the future purchase cost must reflect the separate inflation periods: ₹10,00,000 × $(1.10)^3$ × $(1.06)^2$ = ₹14,95,511.60. Because investments begin immediately and continue for 60 months, this is an annuity-due calculation. The future-value accumulation factor is $[((1.01)^{60} - 1) \div 0.01] \times 1.01$, or about 82.486. Dividing the required goal amount by this factor gives ₹14,95,511.60 ÷ 82.486 = approximately ₹18,130.40 per month. In practical financial planning, it would be sensible to round the SIP upward, such as to ₹18,131 or ₹18,200, to avoid a shortfall from rounding and variations in actual returns. The calculation follows the standard future-value approach for recurring deposits made at the beginning of each period; see Investor.gov's compound-interest guidance and AMFI's SIP overview.

QUESTION NO: 99

According to the capital asset pricing model, fairly priced securities have __________.

A. Negative betas

B. Positive alphas

C. Positive betas

D. Zero alphas

ANSWER: D

Explanation:

Under the capital asset pricing model (CAPM), fairly priced securities have **zero alphas**. Alpha represents the portion of a security's return that exceeds or falls short of the return justified by its systematic risk, as measured by beta. CAPM states that the required expected return equals the risk-free rate plus beta multiplied by the market risk premium: $E(R_i) = Rf + \beta_i[E(Rm) - Rf]$. When a security's expected return exactly equals this required CAPM return, there is no abnormal return after adjusting for market risk; therefore, its alpha is zero.

This result is central to the Security Market Line: securities lying on that line are correctly or fairly valued relative to their beta. Alpha is not a measure of the absolute level or direction of beta. A security can have a positive, negative, or zero beta and still be fairly priced, provided its expected return appropriately compensates investors for that beta-related systematic risk. In practical portfolio analysis, a nonzero alpha signals that expected performance differs from CAPM's risk-adjusted benchmark, whereas zero alpha reflects CAPM-consistent pricing. For the CAPM expected-return relationship and the interpretation of beta and alpha, see CFA Institute's portfolio risk and return reading and NYU Stern's valuation resources.

QUESTION NO: 100

A portfolio consists of 50% of investment â€˜Râ€™ that earned 10%, 25% of investment â€˜Sâ€™ that earned 6% and 25% of investment â€˜Tâ€™ that earned 9%. Compute the weighted average return?

A. 8.75%

B. 8.50%

C. 9%

D. 8.25%

ANSWER: A

Explanation:

8.75% is the portfolio’s weighted average return. A portfolio return is calculated by multiplying each investment’s return by its proportion of total portfolio value and then adding those weighted contributions. Investment R contributes 50% × 10%, or 5.00%; investment S contributes 25% × 6%, or 1.50%; and investment T contributes 25% × 9%, or 2.25%. The total is 5.00% + 1.50% + 2.25% = 8.75%.

The weights total 100%, so this calculation represents the return earned by the portfolio as a whole for the stated period, assuming the weights are the relevant beginning-period portfolio weights and no interim cash flows alter them. This is the standard weighted-average approach used to aggregate the returns of individual holdings into a portfolio-level return. For further background on return calculations and portfolio performance measurement, see the CFA Institute’s portfolio performance evaluation refresher reading and the U.S. Securities and Exchange Commission’s mutual funds and ETFs overview.

QUESTION NO: 101

Tushar owns a piece of land situated in Patna (Date of acquisition: March 1, 1983, Cost of acquisition Rs. 20,000/- value adopted by Stamp duty authority at the time of purchase Rs. 45,000/-) On March 30, 2012 the piece of land is transferred for 4 lakh. Find out the capital gains chargeable to tax if the value adopted by the Stamp duty authority is 5.60 lakh. And X does not challenges it under the Stamp Act. However, he claims before the Assessing Officer that Rs. 5.60 lakh is more than the fair market value of the land. The assessing

Officer refers it to the valuation Officer who determines Rs. 6.10 lakh as fair market value.

[CII-12-13: 852,11-12: 785,10-11:711]

A. Rs. 4,05,963/-

B. Rs. 3,45,963/-

C. Rs. 3,80,963/-

D. Rs. 4,15,963/-

ANSWER: D

Explanation:

Rs. 4,15,963/- is the correct taxable long-term capital gain. Since the transfer took place on March 30, 2012, it falls in financial year 2011–12, so the applicable Cost Inflation Index is 785. The land was acquired in financial year 1982–83, for which the applicable CII is 109. Therefore, the indexed cost of acquisition is Rs. 20,000 × 785 ÷ 109 = Rs. 1,44,037 (rounded).

For a transfer of land or building, section 50C deems the value adopted or assessed by the stamp valuation authority to be the full value of consideration where that value exceeds the stated sale consideration. Although the Valuation Officer determined a value of Rs. 6.10 lakh, this is higher than the stamp-duty value of Rs. 5.60 lakh. Under the section 50C valuation mechanism applicable to this fact pattern, the stamp-duty value of Rs. 5.60 lakh remains the deemed consideration. Accordingly, taxable long-term capital gain is Rs. 5,60,000 less Rs. 1,44,037, or Rs. 4,15,963. The statutory text of section 50C is available through the Income Tax Department. For the historical CII table, see the official Cost Inflation Index table.

QUESTION NO: 102

What will be the paid up value if:

Sum assured	25,000
Endowment policy term	25 years
Date of commencement	01/04/1982
Date of last unpaid premium	01/10/2004
Mode of payment	half yearly

A. Rs. 23,000

B. Rs. 23,000

C. Rs. 22,500

ANSWER: C

Explanation:

Rs. 22,500 is the paid-up value obtained by applying the standard paid-up-policy calculation: original sum assured multiplied by the proportion of required premiums that have been paid. Once a traditional life-insurance policy has acquired a paid-up value, its cover is generally reduced in this proportion while the policy remains in force for the original term, subject to the policy's specific terms and any applicable bonus treatment. The calculation uses the basic sum assured and the paid-premium fraction shown in the question image; it does not substitute the total premiums paid as the benefit amount. This approach reflects the conventional paid-up value method used for life-insurance policies and enables the policyholder to stop further premium payments while retaining a reduced death or maturity benefit. The exact contractual treatment of bonuses, riders, and surrender value may differ by insurer and product, but the basic paid-up sum assured is calculated proportionately. See the Insurance Regulatory and Development Authority of India for Indian insurance-regulation resources and the IRDAI Policyholder Portal for policyholder guidance on life-insurance benefits.

QUESTION NO: 103

Mr. Ajay and Vijay both are 30 years old. And both are 30 years away from their retirements. Ajay saves Rs. 10,000/- p.a. for 8 years and stops. Vijay starts investing after Ajay stops and saves Rs. 10,000/- p.a. till he retires. Their savings earn 10% p.a.

compounded yearly. At the retirement what is true?

A. Vijay saves more than Ajay by Rs. 5,99,668/-

B. Vijay saves more than Ajay by Rs. 1,40,000/-

C. Ajay saves more than Vijay by Rs. 1,40,000/-

D. Ajay saves more than Vijay by Rs. 2,16,885/-

ANSWER: D

Explanation:

Ajay saves more than Vijay by Rs. 2,16,885/- is correct when the annual deposits are assumed to be made at the end of each year, the standard ordinary-annuity convention. Ajay contributes Rs. 10,000 for eight years. At the end of year eight, those contributions have accumulated to Rs. 10,000 × [((1.10^{8} − 1) ÷ 0.10)]. This amount then remains invested for the remaining 22 years until retirement. Ajay's retirement value is therefore approximately Rs. 9,30,913. Vijay begins after Ajay's eighth contribution and makes 22 end-of-year contributions through retirement. His retirement value is Rs. 10,000 × [((1.10^{22} − 1) ÷ 0.10)], or approximately Rs. 7,14,027. Ajay's accumulated retirement fund consequently exceeds Vijay's by approximately Rs. 2,16,885. The result illustrates the substantial effect of compounding over a longer holding period: contributions made earlier have more years to earn returns and for those returns to compound. The calculation uses the future-value formula for an ordinary annuity together with annual compounding, consistent with the stated facts. See the U.S. SEC compound-interest calculator and Investor.gov's explanation of compound interest.

QUESTION NO: 104

Fiscal Policy controls.....

A. Government spending

B. Revenue raising

C. Both of the above

D. None of the above

ANSWER: C

Explanation:

"Both of the above" is correct because fiscal policy is the government's use of public expenditure and revenue measures—principally taxation—to influence economic conditions. Government spending is a direct fiscal-policy instrument: changes in spending on public services, infrastructure, transfers, or other programmes affect aggregate demand and can support economic activity during downturns or moderate demand when the economy is overheating. Revenue raising is also a core instrument because governments determine tax rates, tax bases, and other receipts. Altering taxes changes households' disposable income, businesses' after-tax returns, and the funds available to government, thereby influencing consumption, investment, and the fiscal balance.

In wealth-management analysis, fiscal policy matters because expenditure and taxation decisions can affect inflation expectations, interest rates, economic growth, corporate profitability, and clients' after-tax investment outcomes. The International Monetary Fund describes fiscal policy as the use of government spending and taxation to influence the economy. Likewise, the OECD's fiscal-policy materials address both public expenditure and revenue/tax measures as central components of government fiscal decisions. See the IMF overview of fiscal policy and the OECD fiscal policy resources.

QUESTION NO: 105

Choose the amount of final tax liability of R for the assessment year 2007-08:

Share of profit from PFAAs	Rs.40,000
Income from salary (Computed)	Rs. 2,00,000
Receipt of accumulated balance in PPF	Rs. 80,000
Lottery income (gross)	Rs 7,000

A. 17100

B. 17442

C. 15700

D. 16014

ANSWER: B

Explanation:

The final tax liability is **17442**. For assessment year 2007–08, the calculation should begin by determining R's total taxable income after applying the applicable income heads, permitted deductions, and any relevant set-off of losses shown in the underlying facts. Tax is then computed using the individual slab rates applicable to that assessment year. The resulting income-tax amount must be increased by the applicable education cess, and any tax already paid or deducted at source is then adjusted to arrive at the final amount payable. Applying this sequence to the figures in the question produces a net final liability of 17,442. This approach follows the standard Income-tax Act framework: tax is charged for an assessment year on the total income of the previous year, while deductions are considered in arriving at taxable total income. The Income Tax Department's official portal provides taxpayer guidance and statutory material at Income Tax Department e-Filing portal, and the relevant legislation can be consulted through the Income-tax Act, 1961 resource.

QUESTION NO: 106

RBI has stated that KYC of banks should incorporate the following elements __________.

A. Customer Acceptance policy

B. Customer identification procedure

C. Monitoring of transactions

D. All of the above

ANSWER: D

Explanation:

All of the above is correct because the Reserve Bank of India's KYC framework requires regulated entities to establish a comprehensive customer due-diligence and monitoring system rather than relying on a single control. A Customer Acceptance Policy sets the criteria for accepting customers and helps ensure that accounts are not opened where the customer's identity cannot be appropriately established. The Customer Identification Procedure requires the bank to identify and verify customers using reliable, independent documents, data, or information. Ongoing monitoring of transactions is also an essential KYC component: banks must scrutinize transactions throughout the relationship to ensure they are consistent with the customer’s profile, source of funds, and stated business or activity. Together, these measures support prevention of money laundering, terrorist financing, identity misuse, and other financial crime, while allowing banks to identify unusual activity and apply enhanced due diligence where needed. RBI’s Master Direction on Know Your Customer specifies these core elements within its KYC policy and customer due-diligence requirements. See the RBI KYC FAQs and the RBI Master Direction – Know Your Customer.

QUESTION NO: 107

If any expenditure is incurred by an Indian company wholly and exclusively for the purpose of amalgamation or demerger, the said expenditure is

A. Not allowable as a deduction in computing profits and gains of business or profession

B. Allowed as a deduction spread over five successive previous year beginning with the previous year in which the amalgamation or demerger takes place

C. Not deductible but is eligible to be treated as an intangible asset in respect of which depreciation can be claimed

D. Fully deductible as revenue expenditure in the year in which it is incurred.

ANSWER: B

Explanation:

“Allowed as a deduction spread over five successive previous year beginning with the previous year in which the amalgamation or demerger takes place” is correct under section 35DD of India’s Income-tax Act, 1961. This provision specifically addresses expenditure incurred by an Indian company wholly and exclusively for the purpose of an amalgamation or demerger. Rather than allowing the full amount immediately, the law permits an equal deduction of one-fifth of the qualifying expenditure in each of five successive previous years. The first instalment is claimed in the previous year in which the amalgamation or demerger takes place, with the remaining instalments claimed over the following four previous years.

This treatment recognizes that amalgamation and demerger costs can generate business benefits extending beyond a single accounting period. The statutory wording is important: eligibility depends on the taxpayer being an Indian company and on the expenditure being wholly and exclusively connected with the amalgamation or demerger. For examination purposes, the key point is the mandatory five-year amortisation pattern, beginning in the year of the transaction. The text of section 35DD can be reviewed at Indian Kanoon: Income-tax Act, section 35DD. The Income Tax Department’s taxpayer resources are available at Income Tax Department e-Filing Portal.

QUESTION NO: 108

Long term interest rate is equal to ....

A. Real rate of interest + expected average inflation rate.

B. Annual return + expected inflation rate.

C. Average Returns + expected inflation rate.

D. None of the above

ANSWER: A

Explanation:

Real rate of interest + expected average inflation rate is correct because a long-term nominal interest rate is commonly expressed using the Fisher relationship. The real interest rate represents the return required for postponing consumption after allowing for changes in purchasing power. Expected inflation is then added to compensate lenders for the anticipated decline in the purchasing power of the money repaid over the investment horizon. Thus, as expected average inflation rises, nominal long-term rates generally need to rise as well to preserve the lender’s expected real return.

In its exact multiplicative form, the relationship is expressed as (1 + nominal rate) = (1 + real rate) × (1 + expected inflation). For the moderate rates typically used in financial-planning calculations, adding the real rate and expected inflation rate is the standard and useful approximation. This distinction is important when estimating future borrowing costs, discount rates, bond yields, and long-horizon investment returns. The Federal Reserve explains that nominal interest rates incorporate expected inflation, while real rates adjust for inflation's effect on purchasing power. See the Federal Reserve's explanation of real and nominal interest rates and the IMF overview of interest rates.

QUESTION NO: 109

The principle of _____________ ensures that an insured does not profit by insuring with multiple insurers

A. Subrogation

B. Contribution

C. Co-insurance

D. Indemnity

ANSWER: B

Explanation:

Contribution is the insurance principle that applies when the same insured interest, subject matter, peril, and period are covered by more than one policy. It ensures that, following a covered loss, the insurers share the payment obligation in appropriate proportions rather than allowing the policyholder to collect the full loss amount separately from each insurer. The insured is therefore restored for the actual financial loss sustained, but does not receive a surplus merely because multiple policies exist.

This principle is especially relevant to general insurance arrangements in which overlapping cover may arise, such as property insurance purchased from different insurers. An insurer that pays more than its equitable share may seek a contribution from the other insurer or insurers that also covered the loss. Contribution consequently supports the fundamental objective that insurance compensates a loss rather than creating an opportunity for gain. The Financial Ombudsman Service discusses contribution where more than one insurance policy may respond to the same claim: Financial Ombudsman Service guidance. A broader overview of contribution as an insurance doctrine is also available from IRMI.

QUESTION NO: 110

Which of following is not an exclusion under a health policy?

A. Pre existing conditions

B. Accident injury

C. Elective surgery

D. Intentional self inflicted injury

ANSWER: B

Explanation:

Accident injury is the correct answer because treatment for an accidental bodily injury is ordinarily a core insured event under a health insurance policy, rather than an exclusion. Health insurance is designed to help meet eligible medical expenses arising from illness and injury, and accidental injuries commonly require immediate hospital, surgical, diagnostic, and follow-up care. Coverage may include emergency treatment, inpatient hospitalization, physician services, and medically necessary procedures when these result from an accident.

The precise scope of payment still depends on the contract's definitions, coverage limits, deductibles, network rules, notification requirements, and medical-necessity provisions. For example, a policy may distinguish between an injury caused by an accident and expenses that are not medically necessary or are outside the stated benefits. Nevertheless, the underlying accidental injury itself is generally a covered cause of loss. This aligns with consumer guidance describing health insurance as coverage for medical care needed because of injury or illness. See the National Association of Insurance Commissioners' health insurance consumer guidance and the HealthCare.gov summary of covered health benefits.

QUESTION NO: 111

All the following statements concerning systematic risk are correct EXCEPT

I.	It is typically influenced by the same factors affecting the market prices of many other comparable investments
II.	It is typically affected by economic, political, and sociological factors.
III.	It can usually be substantially reduced by a carefully executed program of diversification
IV.	It is typically found to some extent in nearly all listed securities.

A. Only I

B. Only II

C. Only III

D. Only IV

ANSWER: C

Explanation:

Only III is the appropriate selection because the question asks for the exception—the statement that is not a correct characterization of systematic risk. Systematic risk is the portion of investment risk arising from broad market or economy-wide forces, such as changes in interest rates, inflation expectations, recessions, geopolitical events, or shifts in overall investor sentiment. Since these forces affect many securities at the same time, an investor cannot eliminate systematic risk merely by holding a diversified portfolio. Diversification principally reduces security-specific, or unsystematic, risk.

In portfolio theory and the Capital Asset Pricing Model, systematic risk is commonly measured by beta. Beta indicates the sensitivity of a security's return to movements in the market portfolio; it is therefore the risk for which investors may expect compensation through a higher required return. The distinction between market-wide, non-diversifiable risk and issuer-specific, diversifiable risk is fundamental to investment analysis and portfolio construction. The CFA Institute discusses the role of systematic risk and beta in CAPM at its CAPM refresher reading. See also the U.S. Securities and Exchange Commission's investor education material on diversification at Investor.gov.

QUESTION NO: 112

An investor investing Rs. 7,282.58 on March 1, 2012 and getting Rs. 10,000 back on

February 28, 2017 would have a yield to maturity (YTM) of _____%.

A. 6.58

B. 6.55

C. 6.61

D. 6.64

ANSWER: B

Explanation:

The correct yield to maturity is **6.55**. This is a zero-coupon, or single-cash-flow, return calculation: the investor pays Rs. 7,282.58 initially and receives Rs. 10,000 at the end of the investment period. The dates span five annual compounding periods for the purpose of the stated annual YTM calculation. Therefore, the annualized return is found by equating the future value to the initial investment compounded for five years: Rs. 10,000 = Rs. 7,282.58 × $(1 + \text{YTM})^5$. Solving gives YTM = $(10{,}000 \div 7{,}282.58)^{1/5} - 1$, which is approximately 0.0655, or 6.55% when expressed as a percentage. YTM is an annualized measure: it converts the total growth from the purchase amount to the redemption amount into the constant yearly compounded rate that would produce that result. This follows the standard compound-interest relationship between present value, future value, rate, and time. For background on the compound-interest formula, see Investor.gov's compound interest guidance. The annualized-return concept is also described by Investopedia's annualized rate definition.

QUESTION NO: 113

"Which of the following can benefit from SARFAESI, 2002?"

A. Banks

B. Financial Institutions

C. Both of the above

D. None of the above

ANSWER: C

Explanation:

Both of the above is correct because the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) provides enforcement mechanisms for secured creditors that include banks and financial institutions. Its core purpose is to enable these lenders, subject to the Act's conditions, to enforce security interests in secured assets without first having to obtain a court decree. For example, after a borrower's account is classified as a non-performing asset and the required statutory notice process has been followed, a secured creditor may take measures such as taking possession of secured assets, taking over management in applicable circumstances, or selling the secured asset to recover dues.

The Act's definitions expressly cover banking companies and financial institutions, including the financial institutions specified under the relevant statutory framework and those notified by the Central Government. Accordingly, both categories can use the SARFAESI framework where they are eligible secured creditors and the lending transaction and security fall within the Act's scope. This framework is intended to improve recovery of secured credit while retaining procedural safeguards for borrowers. The statutory text is available through India Code's SARFAESI Act page. The Reserve Bank of India also publishes the relevant regulatory framework through its official website.

QUESTION NO: 114

What is the minimum amount one can deposit in a PPF account in a financial?

A. Rs. 400 per annum

B. Rs. 500 per annum

C. Rs. 100/-per annum

D. Rs. 5/-per annum

ANSWER: B

Explanation:

The correct minimum annual deposit for a Public Provident Fund (PPF) account is Rs. 500 per annum. A PPF account is designed as a long-term, government-backed small-savings vehicle, and its rules require the account holder to contribute at least Rs. 500 during each financial year to keep the account active. Deposits may be made in one lump sum or through multiple instalments during the financial year, provided the total deposited meets this minimum requirement. The annual contribution limit is Rs. 1.5 lakh, subject to the applicable PPF rules and tax provisions. Maintaining the minimum annual contribution is important because an account with no required deposit for a financial year is treated as discontinued and must be regularised under the scheme's prescribed process before normal transactions can resume. The India Post description of the PPF scheme identifies Rs. 500 as the minimum deposit and specifies that the deposits are made per financial year. See the India Post savings-schemes information and the Income Tax Department guidance for individuals for official information on savings and tax-related treatment.

QUESTION NO: 115

R acquired a property by way of gift from his father in the previous year 1991-92 when its

FMV was Rs. 3 lakh. The father had acquired the property in the previous year 1983-84 for Rs. 2 lakh. This property was introduced as capital contribution to a partnership firm in which R became a partner on 10/06/2011. The market value of the asset as on 10/06/2011 was 10 lakh, but it was recorded in the books of account of the firm at Rs. 8 lakh. Compute the capital gain chargeable in the hands of R.

A. Rs. 11,055/-

B. Rs. 7,040/-

C. Nil

D. Rs. 3,075/-

E. Long-term capital loss of Rs. 5,53,448/-

ANSWER: E

Explanation:

The correct result is a long-term capital loss of Rs. 5,53,448. On contribution of a capital asset by a partner to a firm, section 45(3) of the Income-tax Act treats the amount recorded in the firm's books as the full value of consideration. Therefore, the relevant consideration is Rs. 8,00,000, rather than the market value of Rs. 10,00,000. Since R received the property by gift, section 49(1) provides that the cost is deemed to be the cost for which the previous owner, R's father, acquired it: Rs. 2,00,000. For a long-term capital asset acquired through a gift, indexation is available from the year in which the previous owner first held the asset. Using the Cost Inflation Index of 116 for financial year 1983–84 and 785 for financial year 2011–12, the indexed cost is Rs. 2,00,000 × 785/116 = Rs. 13,53,448 (rounded). Deducting this indexed cost from the deemed consideration of Rs. 8,00,000 produces a long-term capital loss of Rs. 5,53,448. This is not a taxable capital gain; it is a loss subject to the applicable set-off and carry-forward rules. See Income-tax Act, 1961 and the Income Tax Department's Cost Inflation Index.

QUESTION NO: 116

Fixed Annuity and Variable Annuity respectively provide:

A. Un Guaranteed returns & Guaranteed returns

B. Guaranteed Returns &Very Low Returns

C. Very low returns and Unguaranteed Returns

D. None of the above

E. Guaranteed returns and unguaranteed returns.

ANSWER: E

Explanation:

Fixed annuities and variable annuities differ primarily in how investment return and risk are allocated. A fixed annuity provides a contractually stated interest rate or another specified minimum-crediting method for a stated period. Subject to the issuing insurer's financial strength and the terms of the contract, this makes the accumulation value and related benefits predictable rather than dependent on day-to-day market performance. The insurer bears the investment risk associated with supporting that guarantee.

A variable annuity instead directs purchase payments to separately invested options, commonly called subaccounts. The account value changes with the performance of the selected investments, so its return is unguaranteed and may rise or fall. The owner bears the market risk of those investment choices. Optional insurance riders can provide particular guaranteed benefits, but they do not convert the underlying variable-account investment return into a fixed guaranteed return. Therefore, the accurate respective description is "Guaranteed returns and unguaranteed returns." The U.S. Securities and Exchange Commission describes variable annuity value as varying according to investment performance, while the National Association of Insurance Commissioners explains the guaranteed-rate nature of fixed annuities. See SEC Investor Bulletin on Variable Annuities and NAIC Consumer Insight on Annuities.

QUESTION NO: 117

What is the exemption criteria U/S 10(10) (ii) of the IT Act, 1961 for any gratuity received by a seasonal employee?

A. Exemption limit is least of there:
(i) 7 day's wages (calculated as 26 working days in a month) based on last drawn salary forevery number of seasons worked,
(ii) Rs. 3,50,000/-,
(iii) Actual gratuity received

B. Exemption limit is least of three:
(i) 7 day's wages based on last drawn salary for every number of seasons worked, (ii) Rs. 3,00,000/-,
(iii) Actual gratuity received

C. Exemption limit is least of three:
(i) 15 day's wages based on last drawn salary for every completed year
(ii) Rs. 3,50,000/-,
(iii) Actual gratuity received

D. Exemption limit is least of three:
(i) 15 day's wages based on last drawn salary for every completed year
(ii) Rs. 4,00,000/-,
(iii) Actual gratuity received

E. Exemption limit is the least of three:
(i) 7 days' wages for every season worked,
(ii) Rs. 20,00,000/-,
(iii) Actual gratuity received

ANSWER: E

Explanation:

For a seasonal employee covered by the Payment of Gratuity Act, 1972, the tax exemption under section 10(10)(ii) is determined by taking the least of the actual gratuity received, ₹20,00,000, and the gratuity amount calculated under the Payment of Gratuity Act. The statutory calculation for a seasonal establishment is seven days' wages for each season worked, rather than the calculation applicable to non-seasonal employees. This follows section 4(2) of the Payment of Gratuity Act, which expressly provides the seven-days'-wages-per-season rule for employees in seasonal establishments. Section 10(10)(ii) of the Income-tax Act links the exempt amount to the amount calculated under that Act, subject to the notified maximum limit. The current notified ceiling is ₹20 lakh, applicable to gratuity payments on or after 29 March 2018. Therefore, the correct criterion must use seven days' wages for every season worked and the ₹20 lakh ceiling, while retaining actual gratuity received as the third comparison amount. The statutory texts can be consulted in the Income-tax Act, 1961 and the Payment of Gratuity Act, 1972.

QUESTION NO: 118

"A borrower defaults on a secured loan of Rs. 50,000. The underlying security is worth Rs.

60,000. Which of the following is true? "

A. "Bank can retain Rs. 50,000. Balance Rs. 10,000 has to be paid to the borrower."

B. Bank cannot sell the underlying security because its value is higher than loan. C. "Bank can retain the entire Rs. 60,000"

C. "The excess of Rs. 10,000 has to be shared equally between the bank and the borrower."

ANSWER: A

Explanation:

"Bank can retain Rs. 50,000. Balance Rs. 10,000 has to be paid to the borrower." is correct because collateral secures repayment of the borrower's obligation; it does not ordinarily transfer unrestricted ownership of all collateral value to the lender. Once default occurs, the secured lender may enforce or realize the security, subject to the applicable contract, notice requirements, and legal process. From the sale or realization proceeds, the lender is entitled to recover the secured debt of Rs. 50,000. Since the security is valued at Rs. 60,000, the remaining Rs. 10,000 represents surplus value that continues to belong to the borrower, assuming no additional contractually due interest, enforcement costs, taxes, or other lawful charges are involved.

This result reflects the core principle of a pledge under Indian law: a pawnee may retain pledged goods only for payment of the debt and proper related expenses, and must return the goods when the debt is paid. If pledged goods are sold following default, the borrower remains entitled to any excess proceeds after the debt is satisfied. The relevant statutory framework is set out in sections 173, 176, and 177 of the Indian Contract Act, 1872: Indian Contract Act, 1872 (India Code PDF). For the statutory text and current legal materials, see also India Code.

QUESTION NO: 119

One should accept a project if NPV is

A. Positive

B. 0

C. Negative

D. None of the above

ANSWER: A

Explanation:

Positive is correct because a positive net present value (NPV) means that the present value of a project's expected cash inflows exceeds the present value of its required cash outflows, after discounting cash flows at the applicable required rate of return or cost of capital. Accepting such a project is expected to add value for the investor or business: it earns more than the return required to compensate for the project's risk and financing cost. In wealth-management and capital-budgeting analysis, NPV is especially useful because it expresses the expected value created directly in monetary terms and incorporates the time value of money. The decision rule is therefore to accept independent projects with an NPV greater than zero. This rule is grounded in the principle that investments should be undertaken when their discounted benefits exceed their discounted costs. The U.S. SEC's investor education resources discuss the importance of evaluating investment cash flows and risks, while the Corporate Finance Institute's NPV overview explains that positive NPV indicates an investment is expected to create value above its required return.

QUESTION NO: 120

If any person has escaped assessment for any assessment year in respect of wealth tax no action shall be taken after the expiry of………

A. One year

B. Two years

C. Three Years

D. Four Years

ANSWER: D

Explanation:

Four Years is correct. Under the reassessment provisions of the Wealth-tax Act, 1957, where wealth chargeable to tax has escaped assessment for a particular assessment year, the Wealth-tax Officer's power to initiate action is subject to a statutory limitation period. The relevant rule provides that no action for such escaped assessment may be taken after four years from the end of the relevant assessment year. This deadline promotes finality in tax administration while preserving the department's ability to reopen an assessment within the prescribed period when taxable wealth was not assessed. In applying the rule, the period is counted from the end of the assessment year concerned, rather than from the date on which the omission or escaped wealth is discovered. The question states the general limitation applicable to an escaped wealth-tax assessment and does not introduce facts that would invoke any exceptional or separately extended limitation. Therefore, the applicable answer is the four-year period. The statutory framework and historical text of the Wealth-tax Act can be accessed through the Government of India's Wealth-tax Act resource. The Act's legislative text is also available through the official India Code portal.

QUESTION NO: 121

The act of contravening the object clause is called as:

A. Intra vires act.

B. Ultra vires act.

C. Void act.

D. Actusreus.

ANSWER: B

Explanation:

An *ultra vires act* is an act undertaken beyond the powers or authority granted to a company by its constitutional documents, including the objects stated in its object clause. Historically, the object clause defined the purposes for which a company was formed and therefore limited its legal capacity. If a company entered into a transaction outside those stated objects, that transaction was described as ultra vires, meaning "beyond the powers." This principle is important in company-law and wealth-management contexts because it highlights the need to confirm that a company, trustee, or other legal entity has authority under its governing documents before committing assets or entering contractual arrangements. Modern company-law regimes in many jurisdictions have reduced the practical effect of the doctrine by granting companies broad legal capacity, unless their constitutions expressly restrict it. Nevertheless, “ultra vires” remains the established legal term for conduct that exceeds an entity’s authorized objects or powers. The UK Companies Act 2006 illustrates the modern approach to a company’s capacity and constitutional restrictions: Companies Act 2006, section 31. For a general legal definition of the doctrine, see Encyclopaedia Britannica: ultra vires.