

(Reference date: 2nd April, 2010)

Roger G D'Mello, aged 29 years, is working with a Multi National Company since December 2004. He has approached you, a CFP^{CM} practitioner, for preparing his Financial Plan. He is staying in his own house at Ahmedabad. His wife Angela, aged 31 years, is a fashion designer. She has earned a net profit of Rs. 4 Lakh in FY 2008-09. They have a son, Mark of age 4 years (born on 12.02.2006), and a daughter, Stephanie (born on 23.09.2009). Roger is also supporting his parents staying in their own house at Surat to whom he sends Rs. 10,000 p.m. His monthly house hold expenses are Rs. 30,000 p.m. (excludes his investments, payment of premia and EMIs). Roger normally gets 5% increase in his gross salary year-on-year in the beginning of every financial year, apart from bonus. The effect for this year is yet to take place, though he has received a bonus of Rs. 3,31,680 for the year 2009-10. He has taken a family floater policy for Health Insurance involving an annual premium of Rs. 16,268 and a total cover of Rs. 15 lakh.

Roger G D'Mello's monthly salary:

Basic Salary	:	Rs. 42,000
DA (forming part of Salary)	:	50% of Basic salary
House Rent allowance	:	Rs. 12,000
Transport Allowance	:	Rs. 3,000
Children Education Allowance	:	Rs.1,000 per child
Medical Reimbursement	:	Actual expenses up to Rs. 1,250 per month
Entertainment Allowance	:	Rs. 4,000

Couple's Current Assets & Liabilities (As on 31st March, 2010 unless otherwise specified in foot notes)

Assets:

House	:	Rs. 35.00 lakh
Car	:	Rs. 3.50 lakh (Depreciated value)
PPF (maturity on 1st April 2017)	:	Rs. 2.90 lakh
Insurance – Money Back policy ¹	:	Rs. 3.00 lakh
Child Plan – Life Insurance Co. ²	:	Rs. 12.00 lakh (Sum Assured)
Gold ornaments	:	Rs. 4.50 lakh
Equity Mutual Fund scheme	:	Rs. 4.85 lakh
Balanced Mutual Fund scheme	:	Rs. 2.25 lakh
Portfolio of Equity Shares	:	Rs. 3.95 lakh
Equity Linked Saving Scheme	:	Rs. 1.75 lakh
Bank fixed deposit ³	:	Rs. 2.50 lakh
Cash/Bank Balance	:	Rs. 0.75 lakh

Liabilities:

Home loan ⁴	:	Rs. 12.97 lakh (Principal outstanding)
Car Loan ⁵	:	Rs. 2.93 lakh (Principal outstanding)

¹ Purchased on 25th October, 2006; annual premium paid Rs. 14,798

² Purchased on Mark's 2nd birthday for a term of 15 years; annual premium Rs. 41,374

³ Subscribed on 01.09.2008 @ 10% p.a., with interest credited quarterly to his savings account; renewed at same rate for one year on 01.09.2009 without penal provision for premature withdrawal

⁴ Home loan of Rs. 17 lakh taken on 1st November, 2004 at a fixed interest of 7.5% p.a. for a 15-year term.

⁵ Car loan of Rs. 4.50 lakh taken on 1st April, 2008 at a fixed interest of 11.25% p.a. for a 4-year term.

Goals:

1. To provide for higher education of Mark and Stephanie. Initial expenses at their respective age of 18 years, Rs. 3 lakh (current cost), and subsequently Rs. 2 lakh p.a. for the next two years, and Rs. 3.5 lakh p.a. for the following 2 years.
2. Marriage expenses of Rs. 15 lakh (current cost) for each child at their respective age of 27 years.
3. Retirement corpus at the age of 58 years to sustain 70% of pre-retirement household expenses till his lifetime and 50% till Angela's expected life.
4. A Bigger house valued at Rs. 50 lakh today, a year from now.
5. To build a separate fund for vacation expenses of Rs. 2 lakh (at current cost) every year 10 years from now so that the corpus so built is self-sustaining till the marriage of Stephanie.

Life Parameters:

Roger's expected life	:	75 years
Angela's expected life	:	80 years

Assumptions:

A. Regarding long-term pre-tax returns on various asset classes:

- | | | |
|---|---|-------------|
| 1. Equity & Equity MF schemes /Index ETFs | : | 11.00% p.a. |
| 2. Balanced MF schemes | : | 9.00% p.a. |
| 3. Bonds/Govt. Securities/Debt MF schemes | : | 7.00% p.a. |
| 4. Liquid MF schemes | : | 5.50% p.a. |
| 5. Gold & Gold ETF | : | 7.50% p.a. |

B. Regarding economic factors:

- | | | |
|-----------------------------|---|------------|
| 1. Inflation | : | 5.50% p.a. |
| 2. Risk free rate | : | 6.50% p.a. |
| 3. Real Estate appreciation | : | 8.00% p.a. |

Questions

- 1) Before beginning work on Roger's Financial Plan, you have drafted a document outlining the "Scope of Engagement" and sought Roger to mutually define and determine the activities that may be necessary in order to proceed with client engagement. Roger asked you about relevance of such a document. In the context of Financial Planning Profession, you explain about the "Letter of Engagement" as a _____.
- A) professional requirement under Practice Guidelines of FPSB India
 - B) professional requirement under Code of Ethics of FPSB India
 - C) necessary legal requirement as per Contract Act 1872
 - D) document for his personal record
- 2) Roger has heard that a CFP^{CM} practitioner is able to take care of the execution of all aspects of his Financial Plan, viz. Investments, Insurance, Tax Planning, Estate Planning, Retirement solutions, etc. He confirms with you the same. You advise him that:
- A) This is not true about all CFP^{CM} practitioners. The scope and limitation of the services of a CFP^{CM} practitioner need to be disclosed in writing by him/her in the beginning itself.
 - B) A CFP^{CM} practitioner can never be believed to take care of all aspects of a Financial Plan.
 - C) This is the right assumption which can be made about all CFP^{CM} professionals.
 - D) A CFP^{CM} practitioner can make a financial plan, various aspects of which need to be executed by experts in their respective fields.
- 3) Roger paid first EMI of Housing Loan on 1st December, 2004. There are no pre-payment charges after 5 years of regular EMI payments. He wants to foreclose his loan before he avails a new loan for his proposed bigger house. He plans to repay the loan in one lump sum on 1st May, 2011 after paying regular EMIs till 1st April, 2011. He wants to know the amount required then to pay off the existing housing loan. The same would be _____.
- A) Rs. 12,01,704
 - B) Rs. 11,94,240
 - C) Rs. 11,77,598
 - D) Rs. 11,85,945
- 4) Roger wants to invest in ULIP, but he wants to be cautious before entering a long period of contract. As Per IRDA Guidelines on ULIP, if he wants to return the policy within 15 days free look period. What amount would be refunded to him?
- A) He would get the prevailing fund value subject to deduction of expenses towards medical examination, stamp duty and proportionate risk premium for the period of cover.
 - B) He would get the refund of full premium paid.
 - C) He would get the refund of premium less commission paid to the intermediary.
 - D) He would get the prevailing fund value less commission paid to the intermediary.
- 5) Roger has not taken any type of insurance on the house property he possesses. The house was purchased in November, 2004 for a total cost of Rs. 19.20 lakh, of which the cost of land and construction was Rs. 9 lakh each, whereas other costs were Rs. 1.20 lakh. The cost of construction has increased by 11% year-on year and the land prices have increased at a CAGR of 18% in the area where his house is located. You advise him to take an insurance for his house on reinstatement basis to the extent of _____.

- A) Rs. 15.84 lakh
 B) Rs. 37.90 lakh
 C) Rs. 35.00 lakh
 D) Rs. 24.84 lakh
- 6) Roger wants to cover for the expenses of his family without compromising their present lifestyle till the expected life time of Angela in case of his untimely death. He consumes 8% of monthly expenses exclusively on self. You advise him that the Child Plan covers a different goal. Assuming the cover proceeds are invested in a Balanced MF scheme, he should supplement his life cover by taking a term insurance for _____ immediately to cover such future expenses. (Please ignore taxes and charges, if applicable, in regular withdrawals from Balanced MF scheme to meet proposed monthly expenses).
- A) Rs. 78 lakh
 B) Rs. 85 lakh
 C) Rs. 79 lakh
 D) Rs. 76 lakh
- 7) Roger wants to supplement his retirement corpus by regularly investing in his PPF A/c Rs. 15,000 every quarter till its due maturity, as well as throughout its four extensions each of 5-year blocks. The amounts are proposed to be invested in the first five days of April, July, October and January every financial year beginning immediately. Roger wants to know the approximate maturity amount of his PPF A/c after the proposed four block period extensions. The same would be _____.
- A) Rs. 78,19,676
 B) Rs. 75,57,584
 C) Rs. 85,08,207
 D) Rs. 82,22,191
- 8) You advise Roger to accumulate a retirement corpus at the age of 58 years to sustain 70% of pre-retirement household expenses till his lifetime, and thereafter 50% of pre-retirement expenses till Angela's expected life. Such corpus shall generate an inflation linked monthly stream of income, if invested in risk free instruments. He would accumulate at least Rs. 70 lakh for the corpus through his PPF A/c. by suitably investing in the scheme and extending the account till his retirement. For the balance amount of corpus, he wishes to start a monthly SIP immediately in his existing Balanced MF scheme. You calculate such amount to be _____.
- A) Rs. 7,116
 B) Rs. 9,155
 C) Rs. 11,375
 D) Rs. 15,412
- 9) You have suggested an investment strategy which aims to invest more when the share price or NAV falls and less when the share price or NAV rises. It is done by achieving the total targeted value of the investment by making appropriated amounts at each predetermined interval. You are indicating a technique known as _____.
- A) Value Averaging
 B) Rupee Cost Averaging
 C) Economic Cost Averaging
 D) Weighted Averaging

- 10) Roger and Angela want to accumulate funds for their vacation expenses as per their determined goal. They want to invest a fixed amount immediately from the Bonus amount he has received, and then in the beginning of every financial year till April, 2020 in a separate scheme of an Equity Mutual Fund. He would withdraw the required amount annually as adjusted for inflation from the Scheme from April, 2021 till April, 2036 for undertaking vacation trips. What approximate amount should be invested every year to achieve this goal?
- A) Rs. 1.86 lakh
B) Rs. 2.07 lakh
C) Rs. 1.94 lakh
D) Rs. 1.79 lakh
- 11) Roger and Angela want to arrange for the funds to meet marriage expenses of their children. They plan the wedding of Mark after 23 years from now and that of Stephanie after 25 years from now. To accumulate the funds for marriage, you advise to start a monthly Systematic Investment Plan (SIP) immediately in Equity scheme of a mutual fund. Such SIP will continue for the next 15 years. You further advise to hold the investment in equity shares till Stephanie's marriage to meet the wedding expenses. After meeting the expenses of Mark's marriage, the balance funds in the equity scheme are allowed to appreciate to meet the differential expenses of Stephanie's marriage. The amount of SIP comes to _____.
- A) Rs. 5,387
B) Rs. 5,454
C) Rs. 9,711
D) Rs. 5,756
- 12) In order to provide for higher education of Mark and Stephanie, Roger wants to utilize his existing investment in equity mutual fund scheme. Apart from that you advise him to start a monthly SIP immediately in the same scheme till March, 2023. The first withdrawal for Mark and Stephanie is expected to be made in April, 2024 and April, 2027, respectively. All withdrawals are made in the beginning of the financial year. The corpus thus accumulated should be self sustaining to meet both children's education cost as per the goal. What is the amount of monthly SIP Roger needs to make with immediate effect?
- A) Rs. 7,718
B) Rs. 9,189
C) Rs. 13,374
D) Rs. 14,845
- 13) Roger has received few gifts in the financial year 2009-10 and he wants to know about the taxation of the same. He received a cash gift of Rs. 50,000 on 1st November, 2009 from a friend, and another gift of jewelry from his neighbor on 8th November, 2009 which the neighbor bought earlier for Rs. 24,000 whereas the fair market value was Rs. 27,000. He wants to know, what is the total taxable amount from the above receipts on which Roger will have to pay tax.
- A) The whole amount of Rs. 77,000, as the aggregate value of gifts as money or any property received from one person or more than one person exceeds Rs. 50,000.
B) Nothing is taxable as the aggregate value of money does not exceed Rs. 50,000.
C) Rs. 24,000, as the amount received over the limit of Rs. 50,000 is taxable.
D) Rs. 27,000, as the total amount in excess of the limit Rs. 50,000 is taxable.

- 14) Roger purchased 7,000 Units of Equity Mutual Fund @Rs. 50 per unit on 2nd April 2009. The Equity Mutual Fund declares a dividend of Rs. 10 per unit. The record date for the dividend was 15th June 2009. Roger sells 1,000 units on 5th March 2010 at Rs. 46 per unit. How much loss can be claimed by Roger for computing income chargeable to tax?
- A) He cannot claim any Short Term Loss for Tax computation
 - B) He gets short Term Capital Gains of Rs. 14,000
 - C) He gets Short Term Capital Gains of Rs. 6,000
 - D) He can claim Short Term Capital Loss of Rs. 4,000
- 15) Roger sold 350 shares of a company at Rs. 300 each on 1st March 2010. He purchased 50 shares on 1st May 1979 for Rs. 20 each. The fair market value was Rs. 40 each as on 1st April 1981. Again on 7 August 1998, he was allotted 50 bonus shares. The fair market value was Rs. 115 each as on 7th August 1998. He purchased additional 250 shares on 1st April 2009 for Rs. 150 each. Calculate the capital gains on shares sold.
- CII - 1981-82 : 100; 1998-99 : 351; 2008-2009 : 582; 2009-10 ; 632.
- A) Rs. 54,860
 - A) Rs. 54,653
 - B) Rs. 61,180
 - C) Rs. 46,000

Case: Ms. Urvashi Solanki (Reference Date: 2nd April, 2010)

Ms. Urvashi Solanki, aged 34 years, is Vice President in a Mumbai-based Audit firm. She has twin daughters Revati and Savitri of age 12 years and she is the sole guardian of her children pursuant to her recent divorce. She is currently residing in a rented house. Both her daughters are studying in the 6th Standard. She has approached you, a CFP^{CM} practitioner, for preparing her Financial Plan. She has shared the following financial information with you:

Salary Income: Annual (Rs. lakh)

Basic Salary	:	36.00
HRA	:	6.00
Conveyance Allowance	:	1.50
Variable Salary	:	7.50

Regular Outgoings Monthly (Rs.)

Basic Household Expenses	:	47,000
Services availed	:	12,500
School Fees	:	25,000
House Rent	:	50,000
Power, Telecom & Fuel	:	12,500
Car Loan EMI	:	25,585

Other Monthly & Annual cash outflows

SIP – Equity Mutual Fund	:	25,000 (Monthly)
SIP – Balanced Mutual Fund	:	15,000 (Monthly)
Insurance Premium (Term Plan) ¹	:	38,759
Health Insurance Premium ²	:	27,631

¹ (Annual – 3 policies/ Total Cover Rs. 1.45 crore)

² (Annual – 2 policies/ Total cover Rs. 20 lakh)

Assets Current Market Value (Rs. lakh)

Equity Mutual Fund portfolio	:	32.45
Balanced MF scheme investment	:	12.79
Demat Account - Shares	:	21.92
PPF A/c. (maturing 1 st April, 2016) ³	:	6.59
Gold & Diamond Jewellery	:	15.75
Car ⁴	:	12.50
Bank Salary Account	:	2.82
Savings Bank account – Urvashi	:	13.26
Deposit with House Owner	:	3.00

³ Balance as on 31st March, 2010

⁴ Car purchased out of a loan availed of Rs. 14 lakh on 1st March 2007 at 9.5% p.a. interest on reducing monthly balance for a term of 6 years.

Liabilities Currently Outstanding (Rs. lakh)

Car loan	:	7.79 (As on date)
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You, in consultation with Urvashi, have crystallized the following financial goals for her family and the preliminary Roadmap to achieve them:

1. Send both daughters to a Boarding School – Immediately – Outlay Rs. 1.80 lakh (present cost) per child p.a. – for 6 years – To be met on year to year basis by investing a suitable corpus.
2. Buy a house – In the next three years – Outlay of Rs. 80 lakh – Take a loan for 15 year term.
3. Invest suitably for the Higher Education of both children – Higher Education starts after 6 years – present cost Rs. 4.5 lakh p.a. for each child for a term of 5 years.
4. To invest monthly for Revati and Savitri's wedding when they complete 24 years of age. The estimated present cost of one such marriage is Rs. 15 lakh.
5. Retirement Corpus for self – Corpus to be accumulated in 21 years – Corpus to sustain an annuity of Rs. 1.25 lakh p.m. (current cost) inflation linked for a post-retirement life of 25 years.
6. A World Tour with both of her kids – After 11 years – Outlay of Rs. 8 lakh at current prices.
7. A suitable Estate Planning to cover all her physical and financial assets.

Assumptions:

A. Regarding long-term pre-tax returns on various asset classes:

- | | | |
|---|---|-------------|
| 1. Equity & Equity MF schemes /Index ETFs | : | 11.00% p.a. |
| 2. Balanced MF schemes | : | 9.00% p.a. |
| 3. Bonds/Govt. Securities/Debt MF schemes | : | 7.00% p.a. |
| 4. Liquid MF schemes | : | 5.50% p.a. |
| 5. Gold & Gold ETF | : | 7.50% p.a. |

B. Regarding economic factors:

- | | | |
|-----------------------------|---|------------|
| 1. Inflation | : | 5.50% p.a. |
| 2. Risk free rate | : | 6.50% p.a. |
| 3. Real Estate appreciation | : | 8.00% p.a. |

Questions:

- 16) Which of the following shall you avoid while providing Financial Planning services to Urvashi in line with the Ethical and Professional Conduct required of CFP^{CM} professionals by FPSB India?
- A) Alter existing financial strategy promptly in the interest of Urvashi, even without confirming to her, if the adverse developments materially impact her financial goals.
 - B) Keep Urvashi fully informed of adverse developments affecting her financial goals and take remedial action only after her understanding of the situation and her concurrence.
 - C) Advise Urvashi of the developments affecting her financial goals only when she comes for review of Financial Plan after the pre-determined period.
 - D) Revise asset allocation as often as possible to ensure that the financial goals are achieved exactly as set out initially.
- 17) As per the practice guidelines of FPSB India followed by you, being a CERTIFIED FINANCIAL PLANNER^{CM} practitioner, which amongst the following is the next step after defining and discussing with Urvashi the basic terms of the financial plan construction?
- A) To collect the general quantitative information of the prospective client
 - B) To inform the prospective client about the terms of the engagement
 - C) To define the financial goal of Urvashi
 - D) To share past financial records of your existing clients with your prospective client in order to make him comfortable with number and success of your clientele funds
- 18) Urvashi, instead of taking a housing loan after 3 years, plans to take the 15-year loan of Rs. 60 lakh today which she is getting from a bank at an attractive rate of 10% p.a. on monthly reducing balance basis, and fixed for the first three years. She wants to balance the out flow on EMI on such a loan with current outgo on rentals and SIPs in Equity MF and Balanced MF schemes. By what amount proportionately she might have to reduce SIPs in the two schemes?
- A) Equity MF Rs. 9,050; Balanced MF Rs. 5,425
 - B) Equity MF Rs. 10,000; Balanced MF Rs. 4,475
 - C) Equity MF Rs. 9,550; Balanced MF Rs. 4,925
 - D) Equity MF Rs. 9,250; Balanced MF Rs. 5,225
- 19) Urvashi has not bought personal accident insurance cover, though her car is covered for damages from accident. She wears seat belt and drives carefully. You, as a CFP^{CM} professional, had your following observation about her risk management?
- A) Urvashi has insured the property risk; she controls some of her personal risk and retains the rest of the risk.
 - B) Urvashi has transferred her personal risk to other drivers of the road, insured her property risk and can claim damage if accidents are caused by third party negligence.
 - C) Urvashi has controlled her personal risk and insured her property risk.
 - D) Urvashi has not done anything to manage her risks and has to immediately go for accident and personal risk cover. She cannot rely on third party damages alone to cover the risk of the road.
- 20) Urvashi wants to know, which are the documents her claimant (nominee/legal heir) must send to insurance company to claim the policy benefits in case of a life insurance policy?
- (i) An intimation of the death of the life assured to the insurance company
 - (ii) Death certificate from local authorities
 - (iii) Completed claim forms and other forms as required by the company

(iv) Valid Policy of Life assurance

(v) Authentic Identification that the person claiming is entitled to receive the payment

- A) (i), (ii), (iii), (iv) & (v)
- B) (ii), (iii) & (iv)
- C) (i), (iii) & (iv)
- D) (ii), (iii), (iv) & (v)

21) Urvashi wants to know if she were to meet with an accident and get permanent disability in the third year of her Term Insurance policy, what amount of the premium due in the fourth year would be payable by her. The premium being paid towards the policy is Rs. 15,000 with sum assured of Rs. 50 Lakh.

- A) Rs. 15,000
- B) Rs. 12,000
- C) Rs. 7,500
- D) Nil

22) Urvashi wants to invest regularly Rs. 50,000 p.a. for 20 years in National Saving Certificate (NSC) starting from today. She would reinvest the maturity amount in each year from the beginning of the 7th year till the 20th year along with regular yearly investments in the NSC. From the 21st year she would invest the maturity proceeds of NSC in a liquid MF scheme. She wants to know the total corpus which would be available at the time of her retirement? (Please ignore taxes and charges if applicable)

- A) Rs. 37,14,791
- B) Rs. 35,21,130
- C) Rs. 31,45,020
- D) Rs. 29,81,060

23) You have reviewed the investments of Urvashi for the purview of retirement. You advise that a balance be restored from risk perspective and accordingly Rs. 15 lakh be shifted to a Debt MF scheme. You advise to further start SIPs immediately in the ratio of 60:40 in the newly started Debt MF scheme and the existing Equity MF scheme for the next 21 years to accumulate a corpus so that the same sustains for the next 25 years if invested in an investment instrument yielding 7.50%. What approximate amount of SIPs should be made in Debt and Equity MF schemes?

- A) Rs. 60,000 in Debt MF scheme & Rs. 40,000 in Equity MF scheme
- B) Rs. 55,400 in Debt MF scheme & Rs. 37,000 in Equity MF scheme
- C) Rs. 54,500 in Debt MF scheme & Rs. 36,350 in Equity MF scheme
- D) Rs. 42,000 in Debt MF scheme & Rs. 28,000 in Equity MF scheme

24) Urvashi wants to invest a certain sum of money in an Equity Mutual Fund scheme with Fund Management charges and other fees 2.25% p.a. Ignoring taxes and other costs, what internal return would the fund have to produce?

- A) 13.50% p.a.
- B) 13.25% p.a.
- C) 13.55% p.a.
- D) 13.20% p.a.

25) Urvashi had invested Rs. 3 lakh on 2nd May 2004 in an Equity MF when the NAV was Rs. 12.58 per unit. She opted for dividend payout option and received dividends paid by the scheme at 12% each on 18th

Aug 2004, 20th Nov 2005, 15th Apr 2007 and on 16th Jun 2008, the dividend cum NAV per unit was Rs. 12.95, Rs. 13.05, Rs. 13.99, and Rs. 14.68 and the latest NAV of the fund is Rs. 16.68 per unit. Urvashi wants to know the rate of return she got on this investment. The same is _____. (Please ignore charges and taxes if applicable)

- A) 11.48% p.a.
 - B) 4.88% p.a.
 - C) 13.36% p.a.
 - D) -10.78% p.a.
- 26) For the purpose of World Tour Urvashi has an option to use her investments in PPF A/c. She would contribute maximum permissible amount on the 1st working day of April every year till its due maturity as well as in all years of the extension of account for a 5-year term after its due maturity. She wants to use half of the PPF account proceeds for the proposed world tour. You estimate the adequacy of such amount, the same is _____.
- A) short by Rs. 44,200
 - B) in excess by Rs. 1,05,400
 - C) short by Rs. 1,82,700
 - D) in excess by Rs. 52,260
- 27) For the purpose of wedding of Revati and Savitri you have advised Urvashi to invest monthly in Debt MF and Equity MF in the ratio of 30:70 till they complete 19 years of age. Thereafter, further investments are made in Debt MF and Equity MF in the ratio of 60:40. Urvashi wants to know how much amount she will require to invest monthly approximately to fulfill the commitment of her children's marriage. (Please ignore charges and taxes if applicable)
- A) Rs. 21,400
 - B) Rs. 38,225
 - C) Rs. 20,739
 - D) Rs. 23,307
- 28) You have advised Urvashi to do Estate Planning. According to you what should be the most preferred way for her Estate Planning?
- A) She should prepare a Will naming her children as the sole beneficiaries as well as designate one or more guardians with their prior consent.
 - B) She should devolve all of her personal properties to her personal HUF.
 - C) She should prepare a Will naming her children as the sole beneficiaries in the same.
 - D) She should transfer all of her existing properties in the names of her children and nominate her both children equally in all her legal documents.
- 29) One of Urvashi's friends booked a flat in a building on 1st March, 2009 the construction of which is yet to finish. Her friend availed of a loan from a housing finance company and paid interest on part of the loan disbursed during 2009-2010. She wants to know how much of the interest paid would be eligible for deduction U/s 24 of IT Act for the AY 2010-11.
- A) Nil
 - B) 20% of the interest payable will be eligible in AY 2010-11.
 - C) Interest payable up to a maximum of Rs. 1.50 lakh can be claimed as deduction.
 - D) As the EMI has not begun, the whole of the interest paid will be eligible for deduction.

- 30) Urvashi purchased 500 shares of ABC Ltd., a listed company at Rs. 45 per share on Sep. 15, 2002. The Company offered to buy back its shares on June 15, 2009 which Urvashi accepted at a price of Rs. 75 per share on Jul. 1, 2009. What is the tax liability in the hands of Urvashi for this transaction for Assessment Year 2010-11? Cost inflation Indices are 2002-03: 447 and 2009-10: 632. (Ignore Education Cess)
- A) Rs. 1,140
 - B) Rs. 3,000
 - C) Rs. 1,500
 - D) Nil