

The following Sample Paper consists of 39 question items. They span over the "Exam 4: Tax Planning & Estate Planning" and the "Module: Introduction to Financial Planning". The actual Question Paper would consist of 77 items of total 150 marks out of which Introduction to Financial Planning items would be 17 items of 30 marks, thus representing 20% of marks in each of Exam 1, 2, 3 & 4. This Sample Paper is representative of the revised and restructured Exam effective from 1st February, 2013 as regards distribution and pattern of question items in respective Sections and their defined difficulty level. For more details, refer to the Revised Syllabus and Topic List. Suggested solutions to 3-mark and 4-mark problems are as per Working Notes alongside. The Assessment Year considered is AY 2018-19.

Exam 4 - TAX PLANNING AND ESTATE PLANNING

Attempted Answers Are Checked and Displayed In Blue Color.

Correct Answers are Displayed in Red Color after each Question.

SECTION - I

1 This is not a core financial planning component:

[1 Mark]

- (a) Tax Planning
- (b) Asset Management
- (c) Risk Management
- (d) Corporate Finance
- (e) Not Attempted

Correct Answer : Corporate Finance

2 Indirect taxes are borne by _____.

[1 Mark]

- (a) Producers of goods and providers of services
- (b) Suppliers of goods and services
- (c) Traders and Brokers of goods and services
- (d) Consumers of goods and services
- (e) Not Attempted

Correct Answer : Consumers of goods and services

3 Which of the following is inferential data, i.e. data that may not be correctly obtained by simply asking a direct question?

[1 Mark]

- (a) Current income
- (b) Retirement Age
- (c) Risk appetite
- (d) Time horizon
- (e) Not Attempted

Correct Answer : Risk appetite

4 The responsibility of collecting the Goods and Services Tax lies with the _____.






[1 Mark]

- (a) Central Board of Indirect Taxes
- (b) Income tax department
- (c) Central Board of Direct Taxes
- (d) Ministry of corporate affairs
- (e) Not Attempted

Correct Answer : Central Board of Indirect Taxes

5  The finance bill becomes the Finance Act when _____.






[1 Mark]

- (a)  signed by the President
- (b)  presented in the Parliament
- (c)  approved by the Lok Sabha
- (d)  presented by the Finance Minister
- (e)  **Not Attempted**

Correct Answer : **signed by the President**

6  In establishing relationship with the client, which of the following situations of conflict of interest is not foreseen in the Financial Planning Practice Standards?






[2 Marks]

- (a)  Any circumstances or relationships or facts that would place CFP practitioner's interests in conflict with the client's interests
- (b)  Any advice that would be in conflict with financial products/services industry's business interests
- (c)  Any personal conflict that would affect a CFP practitioner's ability to work successfully with the client
- (d)  Any circumstances or relationships or facts that would place the interests of one client in conflict with another client
- (e)  **Not Attempted**

Correct Answer : **Any advice that would be in conflict with financial products/services industry's business interests**

7  Mr. A takes business trips abroad frequently. His total stay outside India during the last 4 years proceeding previous year was 365 days. During the previous year, he left India only after October 2017. Determine his residential status for AY 2018-19?

[2 Marks]

- (a)  Non-resident Indian
- (b)  Resident but not ordinarily resident
- (c)  Resident and ordinarily resident
- (d)  Deemed Resident
- (e)  **Not Attempted**

Correct Answer : **Resident and ordinarily resident**

8  A professional had an amount of Rs. 4.50 lakh in the fixed deposit with his bank in the previous year 2017-18 which earned him gross interest of Rs. 49,188. What could be the amount of TDS deducted by the bank for AY 2018-2019?

[2 Marks]

- (a)  Rs. 10,133
- (b)  Rs. 8,073
- (c)  Rs. 4,919
- (d)  Rs. 5,067
- (e)  **Not Attempted**

Correct Answer : **Rs. 4,919**

SECTION - II

1 Computing salary for the purpose of rent-free accommodation includes _____.

[1 Mark]

- (a) perquisites
- (b) allowances exempt from tax
- (c) Bonus
- (d) Employer's Contribution to PF account
- (e) **Not Attempted**

Correct Answer : **Bonus**

2 Which of the following is not exempt under Income from House Property?

[1 Mark]

- (a) Property income of any political party
- (b) Income from property held for any charitable purpose
- (c) Income from any farm house forming part of agricultural income
- (d) Income from house transferred to wife without adequate consideration
- (e) **Not Attempted**

Correct Answer : **Income from house transferred to wife without adequate consideration**

3 The following are critical parameter/s for a company's stock to be included in an exchange's equity index:

[1 Mark]

- (a) Average price quoted in the last six months
- (b) Market capitalization and liquidity
- (c) Industry leadership in terms of sales volume
- (d) Market trading span of at least three years
- (e) **Not Attempted**

Correct Answer : **Market capitalization and liquidity**

4 Which of the following is not an effect of rising inflation in a nation's economy?

[1 Mark]

- (a) It reduces the purchasing power of money.
- (b) It increases uncertainty of future costs of input in the entire economy.
- (c) It decreases the debt servicing burden of forex loans of a nation.
- (d) It weakens the value of the nation's currency in the international markets.
- (e) **Not Attempted**

Correct Answer : **It decreases the debt servicing burden of forex loans of a nation.**

5 Up to what amount a parent is entitled for exemption in case income of minor child is clubbed with his/her income?

[2 Marks]

- (a) Rs. 1,500 for each child or income included whichever is less, subject to maximum of two children
- (b) Rs.1,500 or income included whichever is less per child per annum with no cap on number of children
- (c) Rs.200 per month or income included whichever is less
- (d) Rs.300 per month or income included whichever is less
- (e) **Not Attempted**

Correct Answer : **Rs.1,500 or income included whichever is less per child per annum with no cap on number of children**



6

Mrs. A whose date of birth is 30th March 1956 has a total salary income of Rs. 9,78,000 for the previous year 2017-18. She has income from other sources of Rs. 18,142 from her savings bank account. Her only investments are contributions to Recognised Provident Fund account which are 12% of her basic salary of 40,000 per month. Find her tax liability for AY 2018-19.

[3 Marks]

- (a) Rs. 1,08,880
(b) Rs. 1,14,030
(c) Rs. 98,580
(d) Rs. 1,01,150
(e) Not Attempted

Correct Answer : Rs. 98,580

7

Your client had inherited a property of market value of Rs. 50 lakh from his grandfather on 28th December 2009. His grandfather had acquired this property on 1st September 2001 for Rs. 12 lakh. He sold this property for Rs. 70 lakh in January 2018. Compute the capital gains/loss for AY 2018-19. Cost inflation index for FY 2001-2002: 100 , 2009-2010 : 148 , 2017-18: 272

[3 Marks]

- (a) Capital gains of Rs. 47,94,595
(b) Capital gains of 37,36,000
(c) Capital gains of Rs. 30,18,595
(d) Capital loss of 21,89,189
(e) Not Attempted

Correct Answer : Capital gains of Rs. 37,36,000

8

An individual has purchased a house worth Rs. 80 lakh for self-occupation in April 2017 by availing housing loan of Rs. 48 lakh at 9.25% p.a. rate of interest for 15 years. He is paying monthly EMIs on reducing balance basis. He intends to pay back the outstanding loan after completing 5 year tenure. He has Rs. 20 lakh worth of financial assets invested at 10.5% p.a. He expects to save annually Rs. 2 lakh at the end of each financial year in the same investment. What shortfall is expected when he would repay the loan?

[3 Marks]

- (a) Excess of Rs. 4.69 lakh
(b) Excess of Rs. 3.71 lakh
(c) Excess of Rs. 24.92 lakh
(d) Shortfall of Rs. 1.36 lakh
(e) Not Attempted

Correct Answer : Excess of Rs. 4.69 lakh

9

A businessman sold Rs. 85 lakh value of unlisted securities on 20th December 2017. These shares were acquired in April 2012 for Rs. 20 lakh. He invested Rs. 40 lakh from these proceeds in February 2018 in his first residential house to avail benefit under Section 54F of the Income-tax Act, 1961. What approximate amount of bonds specified under Section 54EC should he purchase and by what date so as to make his capital gains liability almost 'Nil' towards these transactions? Cost inflation index for FY 2012-13: 200, 2017-18 : 272

[4 Marks]

- (a) Rs. 16.19 lakh, 30th June 2018
(b) Rs. 42.97 lakh, 30th July 2018
(c) Rs. 30.60 lakh, 19th June 2018
(d) Rs. 30.60 lakh, 31st March 2018
(e) Not Attempted

Correct Answer : Rs. 30.60 lakh, 19th June 2018

SECTION - III

1 On sale of debentures, held as long term capital asset, indexation benefit is _____.

[1 Mark]

- (a) available with 20% LTCG tax only
- (b) available with 20% LTCG tax or assessee can pay 10% LTCG tax with no indexation
- (c) not available
- (d) available with 10% LTCG tax only
- (e) **Not Attempted**

Correct Answer : **not available**

2 The Real Rate of Return necessarily takes into account the following:

[1 Mark]

- (a) Compounding
- (b) Inflation
- (c) Present Value
- (d) Frequency of investment or payment
- (e) **Not Attempted**

Correct Answer : **inflation**

3 Which of the following types of income would not qualify as agricultural income?

[2 Marks]

- (a) Income received from renting of farm house used as storage of crop
- (b) Income received from renting of farm house used as dwelling for cultivators
- (c) Income received from renting of farm house for shooting of film
- (d) Income generated at farm house from processing of crop produced
- (e) **Not Attempted**

Correct Answer : **income received from renting of farm house for shooting of film**

4 A salaried individual, aged 45 years, was awarded a car of market value Rs. 6,50,000 by his credit card company in a draw on 20th December 2017. There was no TDS by the company. He has total income from salary of Rs. 8,45,000 in the previous year 2017-18. He saved a total of Rs. 1,80,000 under different investment instruments eligible for exemption u/s 80C in the previous year 2017-18, and Rs. 32,000 was paid by him on 5th January, 2018 towards his health insurance policy. In addition to this, he also contributes Rs. 1,04,000 towards NPS. Find his tax liability for AY 2018-19.

[3 Marks]

- (a) Rs. 3,02,310
- (b) Rs. 2,38,450
- (c) Rs. 2,85,620
- (d) Rs. 2,27,320
- (e) **Not Attempted**


Correct Answer : **Rs. 2,38,450**

5 For a nominal interest rate of 10% per annum compounded monthly, quarterly, and semi-annually, the respective annual effective rates would be _____.

[3 Marks]

- (a) 10.47% p.a., 10.38% p.a., 10.25% p.a.
- (b) 9.57% p.a., 9.65% p.a., 9.76% p.a.
- (c) 9.44% p.a., 8.16% p.a., 8.04% p.a.
- (d) 8.96% p.a., 8.32% p.a., 8.16% p.a.
- (e) **Not Attempted**


Correct Answer : **10.47% p.a., 10.38% p.a., 10.25% p.a.**

6  A private sector employee aged 58 has retired in March 2017 with a retirement corpus of Rs. 2.05 crore accumulated with the Company. His company is covered under the Payment of Gratuity Act, 1972. He decides to commute one-third of his retirement fund, the rest being utilized by his employer to pay him a fixed immediate monthly annuity for 20 years through a pension product which gives an effective annual yield of 7.5%. If he saves maximum eligible sums under Sections 80C and 80D, what would be his tax liability for AY 2018-19?






[3 Marks]

- (a)  Rs. 1,51,040
- (b)  Rs. 1,63,920
- (c)  Rs. 1,62,370
- (d)  Rs. 2,62,630
- (e)  **Not Attempted**

Correct Answer : **Rs. 1,51,040**

7  An investor purchased 2,000 shares of a listed company at Rs. 125 per share on 28th December 2016. The Company declared a dividend of Rs. 8 per share, the record date was 25th March 2017. He sold 900 shares on 12th May, 2017 at a price of Rs. 113 per share and the balance on 27th January 2018 at a price of Rs. 135 per share. He had no other transactions during FY 2017-18. What is the taxability of his transactions for AY 2018-19?

[4 Marks]

- (a)  Short term Capital Loss Rs. 10,800
- (b)  Short term Capital Loss Rs. 3,600
- (c)  Long term Capital Gain Rs. 200
- (d)  Long term Capital Gain Rs. 7,400
- (e)  **Not Attempted**


Correct Answer : **Short term capital loss Rs. 3,600**

8 Mr. A purchased a flat worth Rs. 50 lakh in January 2007 by availing a housing loan of Rs. 40 lakh for tenure 15 years at the rate of 8.25% p.a. The value of his flat as on 1-April-2018 has appreciated to Rs. 1.25 crore. What approximate value can be considered by a finance company towards "Loan against Property" if the norm is to consider 60% of the value of home less any encumbrances?

[4 Marks]

- (a)  Rs. 59.74 lakh
- (b)  Rs. 60 lakh
- (c)  Rs. 63.56 lakh
- (d)  Rs. 65.84 lakh
- (e)  **Not Attempted**

Correct Answer : **Rs. 65.84 lakh**

9  X & Co. is a partnership firm engaged in wholesale trading business with a turnover of Rs. 1.02 crore for FY 2017-18. During the year, it paid salary and interest to partners as permitted under Section 40(b) of Rs. 1,20,000 and salary to employees of Rs. 5.50 lakh. It also incurred other expenses of Rs. 1.25 lakh, depreciation charge of Rs. 1.90 lakh, and cost of materials of Rs. 44.70 lakh. It earned long term capital gain of Rs. 90,000 and paid out Rs. 10,000 eligible for deduction under Section 80G. Assuming the firm goes for presumptive taxation prospectively under Section 44AD, calculate its net income for AY 2018-19.

[4 Marks]

- (a)  Rs. 8,96,000
- (b)  Rs. 8,65,000
- (c)  Rs. 9,45,000
- (d)  Rs. 5,76,000
- (e)  **Not Attempted**

Correct Answer : **Rs. 8,96,000**

SECTION - IV

1 As per the Hindu Succession Act, 1956, the following person is not considered as a Class-I heir of the person who dies intestate:

[1 Mark]

- (a) Father
- (b) Mother
- (c) Son of a pre-deceased son
- (d) Widow of a pre-deceased son
- (e) Not Attempted

Correct Answer : Father

2 Which one of the following statement is not true about a Will?

[1 Mark]

- (a) A Will comes into effect after the testator dies
- (b) A certified copy of Will is called probate
- (c) A codicil can be issued to make amendments in the Will made by the testator
- (d) A Will can be altered after the death of testator
- (e) Not Attempted

Correct Answer : A will can be altered after the death of testator

3 Which of the following is in adherence with the professional responsibility of a CFP professional towards the client?

[1 Mark]

- (a) Competing with professionals in specialized services to internalize most deliverables
- (b) Referring the client to other professionals for certain duration with transfer of liability
- (c) Having legitimate difference of opinion on an issue from fellow professionals and the client
- (d) Managing one's own prejudices and desires to achieve a proper balance of interests
- (e) Not Attempted

Correct Answer : Referring the client to other professionals for certain duration with transfer of liability

4 Which of the following is not covered under the principle of "Competence" under Financial Planner Code of Ethics and Professional Responsibility?

[2 Marks]

- (a) Attaining and maintaining an adequate level of abilities, skills and knowledge in the provision of professional services
- (b) Consulting appropriately with other professionals or referring to them on realizing that one has limitations in performance of certain tasks
- (c) Committing oneself to a continuing learning process and professional development
- (d) Competing in all components of financial planning with the best professionals in order to provide the client professional services
- (e) Not Attempted

Correct Answer : Competing in all components of financial planning with the best professionals in order to provide the client professional services

5 Which of the following is not a valid provision for a trust deed to get income tax exemptions?

[2 Marks]

- (a) Benefits of trust are open to all, irrespective of caste, creed, religion and sex.
- (b) It should be irrevocable and activities of the trust will not be carried out outside of India.
- (c) Some of the proceeds of the trust are to be invested in government securities.
- (d) No portion of the income and the fund will be utilized for payment to the trustees/members by way of profit, interest, dividends, etc.
- (e) Not Attempted

Correct Answer : Some of the proceeds of the trust are to be invested in government securities.

6



A trust is created by a son, the Settlor, for the survival expenses of his retired parents each having equal beneficial interest. Both husband and wife have separate fixed pension of Rs. 35,000 per month and Rs. 30,000 per month, respectively. The trust property has generated a net annual value of Rs. 5.12 lakh in the previous year 2017-18. The trustee as well as the Settlor is in the 30% tax bracket. Find the tax payable by the trustee as representative assessee.

[3 Marks]

- (a) Rs. 79,100
- (b) Rs. 46,760
- (c) Rs. 1,01,350
- (d) Rs. 71,480
- (e) Not Attempted

Correct Answer : Rs. 71,480

7

Your client, a businessman has a house worth Rs. 2.1 crore and a farm house worth Rs. 85 lakh. His business is worth Rs. 10 crore as per last balance sheet. He has two other partners in the business having stakes of 24% each. He has two cars purchased at Rs. 40 lakh and Rs. 20 lakh, the latter being in personal account. The cars have depreciated/market value at Rs. 30 lakh and Rs. 8 lakh, respectively. He also has stocks worth Rs. 1.65 crore in a Demat account where he is the primary holder. The business has taken Keyman's insurance on his life of value Rs. 1.5 crore. He has himself insured his life for an assured sum of Rs. 1.5 crore. You evaluate your client's estate in case of any immediate exigency with his life as .

[4 Marks]

- (a) Rs. 9.85 crore
- (b) Rs. 11.21 crore
- (c) Rs. 12.16 crore
- (d) Rs. 7.38 crore
- (e) Not Attempted

Correct Answer : Rs. 12.16 crore

SECTION - V



1

Which regulatory authority has the power to approve settlement or transfer of assets created abroad in case of an Offshore trust?

[1 Mark]

- (a) Securities and Exchange Board of India
- (b) Ministry of External Affairs
- (c) Income Tax Authority
- (d) Reserve Bank of India
- (e) Not Attempted

Correct Answer : Reserve Bank of India

2



The following is not an obvious advantage of creating a private trust over a will?

[1 Mark]

- (a) Execution
- (b) Confidentiality
- (c) Costs
- (d) Amendment
- (e) Not Attempted

Correct Answer : Costs

3  A person who creates the trust is known as _____.






[1 Mark]

- (a)  Executor
- (b)  Testator
- (c)  Trustee
- (d)  Settlor
- (e)  Not Attempted

Correct Answer :  Settlor

4 Which of the following cannot be categorized under Fiduciary Responsibility of a financial planner towards his/her client?






[1 Mark]

- (a)  Disclose all material facts
- (b)  Get the best returns on client's investments
- (c)  Serve the client's best interest
- (d)  Act in utmost good faith
- (e)  Not Attempted

Correct Answer :  Get the best returns on client's investments

5  Which of the following is not prescribed for an entity to act as bank under the Banking Regulation Act, 1949?






[2 Marks]

- (a)  Use of at least one word bank, banking, banking company in its name
- (b)  Restriction on granting loan to person interested in management of the bank
- (c)  Prohibition to form subsidiary company for certain purposes
- (d)  Restriction on business of certain kinds such as trading of goods etc.
- (e)  Not Attempted

Correct Answer :  Prohibition to form subsidiary company for certain purposes

6  Which of the following with regards to trust would not be taxed at the maximum marginal rate?

[2 Marks]

- (a)  The trust is discretionary and has income from capital gains
- (b)  The trust is indeterminate, declared by the last will of the testator and has income from business
- (c)  The trust is determinate and has income other than from business or profession
- (d)  The trust is established is an oral trust
- (e)  Not Attempted

Correct Answer :  The trust is determinate and has income other than from business or profession