

# 206 Personal Financial Planning

## **1. Why is financial planning essential?**

- a. Reducing taxes
- b. Assessing personal and financial goals
- c. Promoting impulsive spending
- d. Ignoring budgetary constraints

**Answer: b. assessing personal and financial goals**

## **2. What is KYC in financial planning?**

- a. Keep Your Cash
- b. Know Your Customer
- c. Keep Your Cards
- d. Know Your Credits

**Answer: b. Know Your Customer**

## **3. What does PAN stand for in financial planning?**

- a. Personal Accounting Number
- b. Permanent Account Number
- c. Professional Asset Number
- d. Public Advisory Network

**Answer: b. Permanent Account Number**

## **4. What is the primary purpose of preparing a personal budget?**

- a. Ignoring financial goals
- b. Tracking expenses and income
- c. Encouraging impulse purchases

d. Promoting debt accumulation

**Answer: b. Tracking expenses and income**

**5. What does Time Value of Money (TVM) refer to in financial planning?**

a. Time management strategies

b. The importance of punctuality

c. The concept that money has a different value at different times

d. Time-traveling financial planning

**Answer: c. The concept that money has a different value at different times**

**6. What are the three main criteria for evaluating investments?**

a. Taste, preference, and color

b. Liquidity, safety, and profitability

c. Weather conditions, location, and duration

d. Popularity, market trend, and brand recognition

**Answer: b. Liquidity, safety, and profitability**

**7. What is SIP in the context of mutual funds?**

a. Systematic Investment Plan

b. Single Investment Portfolio

c. Strategic Investment Process

d. Simplified Investment Procedure

**Answer: a. Systematic Investment Plan**

**8. What is NOT a traditional investment vehicle?**

a. Gold

b. Equity

c. Cryptocurrency

d. Fixed Deposits

**Answer: c. Cryptocurrency**

**9. What is the primary focus of investment strategies?**

a. Accumulating debt

b. Maximizing losses

c. Achieving financial goals

d. Avoiding returns

**Answer: c. achieving financial goals**

**10. What is an NFO in investment planning?**

a. New Fund Offering

b. Next Financial Opportunity

c. Nonprofit Fund Organization

d. Nominal Fund Overdraft

**Answer: a. New Fund Offering**

**11. What is ULIP in insurance planning?**

a. Universal Life Insurance Plan

b. Underwriting Liability and Investment Policy

c. Unit-Linked Insurance Plan

d. Unlimited Liability Investment Program

**Answer: c. Unit-Linked Insurance Plan**

**12. What is the primary purpose of Credit Card Financing?**

a. Promoting cash transactions

- b. Encouraging savings
- c. Facilitating borrowing through credit cards
- d. Reducing financial risks

**Answer: c. Facilitating borrowing through credit cards**

**13. What is Credit Score used for in personal financial planning?**

- a. Determining eligibility for credit
- b. Calculating annual income
- c. Assessing investment opportunities
- d. Predicting market trends

**Answer: a. determining eligibility for credit**

**14. What is the concept of long-term risk in risk analysis?**

- a. Short-term market volatility
- b. Risk associated with long-term investments
- c. Predictable financial outcomes
- d. Ignoring risk factors

**Answer: b. Risk associated with long-term investments**

**15. What does IT stand for in "Filing IT Returns"?**

- a. Income Tax
- b. Investment Trends
- c. Insurance Terms
- d. Individual Transactions

**Answer: a. Income Tax**

**16. Which section provides deductions under Income Tax for insurance premium payments?**

- a. Section 80C
- b. Section 80D
- c. Section 80E
- d. Section 80G

**Answer: b. Section 80D**

**17. What does DTC stand for in tax planning?**

- a. Digital Tax Code
- b. Direct Tax Code
- c. Deferred Tax Calculation
- d. Declining Tax Credit

**Answer: b. Direct Tax Code**

**18. How does taxation impact different investment options?**

- a. Increases market volatility
- b. Improves investment returns
- c. Reduces overall returns
- d. Ignores investment performance

**Answer: c. reduces overall returns**

**19. What is the primary focus of retirement planning?**

- a. Accumulating short-term wealth
- b. Planning for a comfortable retirement
- c. Maximizing debt during retirement
- d. Ignoring pension plans

**Answer: b. planning for a comfortable retirement**

**20. What does "EMI" stand for in the context of loans?**

- a. Equal Monthly Installment
- b. Extra Monetary Investment
- c. Efficient Money Indicator
- d. Excessive Monthly Income

**Answer: a. Equal Monthly Installment**

**21. What is NOT a part of estate planning?**

- a. Power of Attorney
- b. Nominations
- c. Dividends
- d. Wills

**Answer: c. Dividends**

**22. What is the purpose of creating trusts in estate planning?**

- a. Accumulating debt
- b. Transferring assets post-death
- c. Promoting financial literacy
- d. Enhancing credit scores

**Answer: b. Transferring assets post-death**

**23. What is Reverse Mortgage in retirement planning?**

- a. Borrowing money to purchase a home
- b. Selling a home and renting it back
- c. Reversing mortgage interest rates
- d. Paying off the mortgage in reverse order

**Answer: b. selling a home and renting it back**

**24. What does "KYC" stand for in estate planning?**

- a. Keep Your Cash
- b. Know Your Customer
- c. Keep Your Credit
- d. Knowledge Yielding Comfort

**Answer: b. Know Your Customer**

**25. What is the primary purpose of Power of Attorney in estate planning?**

- a. Ignoring financial decisions
- b. Making decisions on behalf of the individual
- c. Reducing financial responsibilities
- d. Promoting risky investments

**Answer: b. making decisions on behalf of the individual**