

## Case Study – Apra Mehta

Today is 24<sup>th</sup> January 2009. Apra Mehta, 31, is a middle level corporate executive currently working with a private sector bank in Gurgaon. Apra had joined this bank on 01-08-2002, her first job, as a relationship manager and is currently posted as branch manager in the same branch.

Apra's husband Sameer, 33, has been running his own civil contractor proprietorship firm in the same region for the last 11 years. Sameer has struggled hard in establishing his business. However in the last 11 years he has earned considerable goodwill in his field and is hopeful of encashing the same in the forthcoming years.

The couple has two kids- daughter Swati aged 5 years and son Chirag aged 1 year. Swati has just been admitted in a play school in New Delhi.

Apra is looking after family's financial affairs majorly. The couple resides with Apra's parents in New Delhi in their home.

Of late Sameer is looking to shift to a new house of his own. Sameer has assured Apra that he shall be taking the entire financial burden of the EMIs of their new house. Apra has also agreed to contribute Rs. 5 lakh from her loan account in Sameer's firm towards purchase of their new house on 31<sup>st</sup> March 2009. She has found out that SBI offers home loan at a fixed rate of 12%.

Taking her outstanding performance into account Apra has got an offer from the bank to head one of their flagship branches in London for a period of 2 years. However Sameer is not ready to shift with her due to his nature of business and other family responsibilities. Presently the kids are being looked after by Apra's parents. Sameer is no longer willing to stay with them during her absence. Apra is finding it difficult to grab this opportunity and is mentally upset feeling regret for the same.

The couple has now come to you, a practicing Certified Financial Planner, for proper planning of their financial affairs and also for the goals and aspirations of their family. They have submitted their financial information as follows:

### Apra's Current CTC Structure (for F.Y. 2008-09)

Total CTC	Rs. 8.82 lakh p.a
Basic Salary	Rs. 30,000 p.m
D.A.	Rs. 15,000 p.m
HRA	Rs. 15,000 p.m
Transport Allowance	Rs. 2,000 p.m
Child Education Allowance	Rs. 2,000 p.m
Telephone Re-imburement	Rs. 2,000 p.m
Entertainment Expenses Re-imburement	Rs. 2,000 p.m
Helper Allowance	Rs. 2,000 p.m
Travelling Allowance	Rs. 2,000 p.m
Medical Allowance	Rs. 1,500 p.m

### Current Major Cash Flows of Apra (apart from Sameer's business affairs)

Apra's fixed contribution at home to her mother for household expenses	Rs. 20,000 p.m
Loan to Sameer's firm (paid by Apra from her salary on 1 <sup>st</sup> of every month)	Rs. 30,000 p.m
Miscellaneous Investments	Rs. 10,000 p.m

### Apra's Assets/Investments (As of 31<sup>st</sup> March 2008)

EPF Account of Apra	Rs. 1,00,250
PPF Account of Apra (Opened on 31-03-2003)	Rs. 2,14,450
Gold ornaments with Apra	Rs. 4,70,000
Loan A/c balance in Sameer's Firm	Rs. 9,65,644
Saving Account Balance	Rs. 58,544 <sup>#</sup>
ELSS Account	Rs. 2,55,440
<sup>#</sup> Interest received in FY 2007-08	Rs. 1,123

Sameer has produced his TDS account for the relevant period as follows:

TDS Account		Debit(Rs.)	Credit(Rs.)
01/04/2006	To open. Bal. (B/F)	68,566	
16/09/2006	TDS deducted	1,30,718	
31/12/2006	TDS deducted	25,659	
02/03/2007	Refund AY 2006-07		35,250
02/03/2007	Income Tax A/c		33,316
06/05/2007	TDS deducted	82,455	
05/09/2007	TDS deducted	58,585	
19/11/2007	TDS deducted	24,152	
14/01/2008	Refund AY 2007-08		85,159
14/01/2008	Income Tax A/c		71,218
31/03/2008	By Closing Balance		1,65,192
Total		3,90,135	3,90,135

Balance Sheet of Sameer's Firm as of 31/03/2008

						(in Rupees)	
Liabilities		Amount	Assets			Amount	
Capital Account Sameer		28,49,705	Fixed Assets	Op Bal	Dep.	Cl Balance	10,92,856
Opening Balance	28,12,511		Car 1	4,54,096	68,114	3,85,982	
Add: Net profit as per P&L A/C	2,78,412		Car 2	3,28,061	49,209	2,78,852	
	30,90,923		Scooter	18,182	2,727	15,455	
Less:			Generator Set 1	19,241	2,886	16,355	
Income tax AY 2007-08	71,218		Generator Set 2	1,14,407	17,161	97,246	
Cash Withdrawals	1,70,000		Misc tools/machinery	3,51,725	52,759	2,98,966	
	28,49,705						
Sundry Creditors		20,17,149	Current Assets			42,31,701	
			Stock in hand	13,98,612			
Unsecured Loans*		14,42,974	Work in Progress	15,65,574			
Apra Mehta	9,65,644		TDS Account	1,65,192			
Akash Verma	3,31,455		Sundry Debtors	11,02,323			
Shashi Pandey	1,45,875						
			Cash/Bank/ Investments			11,89,334	
Punjab National Bank C/C A/c		2,04,063	FDR 1**	50,000			
			FDR 2**	1,25,000			
			FDR 3**	1,50,000			
			FDR 4**	1,75,000			
			NSC***	2,00,000			
			PPF A/c	1,50,000			
			SBI Current A/c	67,522			
			Central Bank Current A/c	78,578			
		ICICI Bank Saving A/c	24,444				
			Cash In Hand	1,68,790			
<b>Total</b>		<b>65,13,891</b>	<b>Total</b>			<b>65,13,891</b>	

**Notes to the Balance Sheet::**

\*Nominal 18% per annum (monthly compounding) interest is being credited on all unsecured loan.

\*\*FD made on 01-10-2007 @8.75% per annum compounding half yearly for 5 years for pledging under terms & conditions of a government contract in favor of the presiding officer.

\*\*\*Purchased on 01-04-2005 and pledged with a government department upto 31-12-2008.

FDR 1,2,3 & 4 and NSCs stated under cash and bank investments in the balance sheet are at their original investment amount without taking accumulated interest into account.

Trading/Profit & Loss Account of Sameer's Firm (1st April 2007 to 31st March 2008)

(in Rupees)			
Particulars	Amount	Particulars	Amount
To Opening stock	12,12,555	By Work Receipts	75,45,455
To Opening work in progress	15,24,554	By Stock in Hand	13,98,612
To Purchase	30,65,474	By Work in Progress	15,65,574
To Labour	23,56,555		
To Gross Profit	23,50,503		
<b>Total</b>	<b>1,05,09,641</b>	<b>Total</b>	<b>1,05,09,641</b>
To Salary for Employees	6,79,892	By Gross Profit	23,50,503
To Car Expenses	1,14,545	By Interest on Income Tax Refund	4,458
To Scooter Expenses	89,545		
To Staff Welfare Exp.	85,745		
To Labour Welfare Exp.	1,45,782		
To Office Exp.	1,48,888		
To Bank Interest	38,666		
To Interest on Unsecured Loans	2,20,115		
To Travelling Exp.	1,54,545		
To Stationery/Printing	21,454		
To Audit Fee	11,236		
To Generator Exp.	1,41,524		
To Property Insurance Premium	31,755		
To Depreciation	1,92,857		
To Net Profit	2,78,412		
<b>Total</b>	<b>23,54,961</b>	<b>Total</b>	<b>23,54,961</b>

Misc Information:

1. Sameer has identified a new house in Gurgaon for Rs. 22 lakh. Apra is hopeful of getting 80% amount financed through her bank.
2. Interest on unsecured loan to Apra from Sameer's firm for FY 2007-08 is Rs. 1,41,550.
3. Premium paid by Sameer for his Endowment policy is Rs. 38,002 and his daughter Swati's endowment policy is Rs. 9,254 in FY 2007-08.