Managing Your Personal Finances

Standard difficulty · 20 questions · 40 marks · Time: 37 minutes

Name: _____ Date: _____ Score: ____ / 40

Write full answers in Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. A written plan balancing income and expenses is a:
(a) premium **(b)** dividend **(c)** loan **(d)** budget

2. What is meant by “compounding”?
(a) earning returns on earlier returns
(b) a plan for income and spending
(c) spreading money across different assets
(d) the time until a loan or bond is repaid

3. Which describes a bond?
(a) pooled money managed by professionals
(b) cover against losses in return for a premium
(c) money kept for a fixed time at fixed interest
(d) a loan to a government or company that pays interest

4. Which of these is an indirect tax?
(a) GST
(b) a tax on a company’s profits
(c) a tax on a person’s salary
(d) a tax on interest a person earns

5. Zoya wants to save ₹4,900 for a bicycle in 7 months. How much must be saved each month?
(a) ₹4,893 **(b)** ₹34,300 **(c)** ₹800 **(d)** ₹700

6. ₹3,000 is kept for one year at 8% interest. How much is there at the end of the year?
(a) ₹3,240 **(b)** ₹5,400 **(c)** ₹240 **(d)** ₹3,000

7. A bag costs ₹2,500. If prices rise by 8% in a year, about what will it cost next year?
(a) ₹2,508 **(b)** ₹2,300 **(c)** ₹2,700 **(d)** ₹200

8. A fridge costs ₹59,000. On a plan of 18 EMIs of ₹3,500, how much more than the price is paid in all?
(a) ₹3,500 **(b)** ₹59,000 **(c)** ₹63,000 **(d)** ₹4,000

Section B — Short answer — 8 × 2 = 16 marks

9. Name the pillars of personal finance.

10. Explain each term: (a) inflation (b) debt

11. Explain what each is: (a) insurance (b) a mutual fund

12. ₹14,000 is invested at 8% compound interest for 2 years. (a) How much is there after 2 years? (b) How much more is that than simple interest would give?

13. Using the book's new-regime slab table (0% up to ₹4 lakh, 5% for ₹4–8 lakh, 10% for ₹8–12 lakh, 15% for ₹12–16 lakh, 20% for ₹16–20 lakh, 25% for ₹20–24 lakh, 30% above), and ignoring rebates and cess as the book's example does, what is the tax on a taxable income of ₹3,000,000?

14. A family earns ₹36,000 a month and wants to save 30% first. How much is saved, and how much is left to spend?

15. Direct or indirect tax? (a) a tax on goods bought online (b) a tax on a company's profits

16. A health insurance premium is ₹1,900 a month. How much is paid in a year, and what does the family get in return?

Section C — Longer answers — 4 × 4 = 16 marks

17. Describe the four steps of making a budget.

18. Match each with its description: (a) a fixed deposit (b) a bond (c) insurance. Choose from: money kept for a fixed time at fixed interest; a loan to a government or company that pays interest; cover against losses in return for a premium.

19. A salaried person earns ₹2,100,000 a year. The book's example takes off a standard deduction of ₹75,000 first. (a) What is the taxable income? (b) Using the book's slab table (no rebate or cess), what is the tax? (c) Why are higher incomes taxed at higher rates?

20. Make a budget for a family earning ₹29,000 a month: 55% on needs, 15% on wants, the rest saved. (a) How much for each? (b) If an emergency costs ₹4,400, can savings of one month cover it? (c) Why keep savings for emergencies?

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Answer key

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Q	Answer	Working
1	**(d) budget**	—
2	**(a) earning returns on earlier returns**	—
3	**(d) a loan to a government or company that pays interest**	—
4	**(a) GST**	—
5	**(d) ₹700**	4,900 ÷ 7
6	**(a) ₹3,240**	8% of 3,000 = 240
7	**(c) ₹2,700**	8% of 2,500
8	**(d) ₹4,000**	18 × 3,500 = 63,000; − 59,000
9	**Income, budgeting, saving, investing, and protection and risk management.**	—
10	**(a) a general rise in prices (b) money owed to someone**	—
11	**(a) cover against losses in return for a premium (b) pooled money managed by professionals**	—
12	**(a) ₹16,330 (b) ₹90 more**	14,000 × 1.08 × 1.08
13	**₹480,000**	tax each slab part at its own rate and add
14	**saves ₹10,800; ₹25,200 to spend**	30% of 36,000
15	**(a) indirect (b) direct**	—
16	**₹22,800; the insurer pays for covered medical costs.**	1,900 × 12
17	**List your expenses, set a savings goal, track your spending, and review and adjust the plan.**	—
18	**(a) money kept for a fixed time at fixed interest (b) a loan to a government or company that pays interest (c) cover against losses in return for a premium**	—
19	**(a) ₹2,025,000 (b) ₹206,250 (c) Progressive taxation spreads the burden fairly and helps reduce inequality.**	salary − 75,000; then slab by slab
20	**(a) needs ₹15,950, wants ₹4,350, savings ₹8,700 (b) yes (c) So unexpected costs do not force borrowing.**	—