

**N.E.S.RATNAM COLLEGE OF  
ARTS, SCIENCE & COMMERCE**

**2018-19**

# **FIN-TRICK**

**something tricky something finance**



**The B & I BUZZ...**

**Banking & Insurance Exploraed**

## **EDITORIAL TEAM**

## **ABOUT US**

Established in the 1983 the National Education Education Society's Ratnam College of Arts, Science and Commerce has evolved as an institution which believes that along with academic excellence, formal education must ideally seek and include programmes & personality building. So, at Ratnam we go beyond the confines of class room teaching /learning and endeavor to make each and every Ratnamite well honed and confident to face the challenges of the outside world. The institution has an array of cocurricular & extra curricular activities to give opportunities to budding talented students to express themselves.

The colleges has been the proud recipient of ISO 9001:2000 Certificate on April 14,2002- first of its kind in Maharashtra for any education institution for conforming to world standard in education. In the year 2004, the college has been accredited with A grade by National Assessment & Accreditation Council (NAAC), a body of UGC. In recognition of the contribution by the college towards the cause of the education, MCGM has renamed the Bhattipada Road,(Approach road to college) as NES Ratnam College Marg in 2006.

In the year 2011, college has been re-accredited with an 'A' grade by NAAC.

In the year 2015, The college has been conferred with Best College Award by the Mumbai University for the Academic year 2013-14.

In the year 2017, once again college has been re-accredited with an 'A' grade by NAAC.

## **FROM EDITORS DESK**

The editorial board of B.COM (Banking & Insurance) Department of NES Ratnam College is immensely happy & gratified to present the magazine for the year 2018-2019 based on theme “FIN-TRICK”.

Our economy is the root of our financial success or failure. Working on the roots with the fruits will take care of themselves. So, it is said that long term thinkers are the one who win with money. So, this magazine contains various aspects of financial tricks which prove to be helpful for an investment in which knowledge pays the best interest.

We are proud to be the members of the B & I BUZZ share the tricks of motivation & hardwork that has proved to be a lesson for the successful launch of the B.COM (Banking & Insurance) magazine for the academic year 2018-2019.

We also extend our heartfelt thanks to our course co-ordinator Mrs.Riya Rupani faculty members Mr. Rajiv Mishra, Mrs. Khushboo Thripathi, Mrs. Priyanka Salvi for their support & guidance throughout this journey & for being our well wisher to set higher standard every time.

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# FINANCIAL TRICKS

Keys to financial success although making resolutions to improve your financial situation is a good thing to do at any time of year, many people find it easier at the beginning of a new year. Regardless of when you begin, the basics remain the same. Here are some financial keys for getting ahead financially.

## **1. SPEND MONEY TO SAVE MONEY:**

Most people say, “spend money to make money”, only jokingly but it may actually be true that you have to spend money to be able to save money. Make sure you are spending at least a little hard-earned money every month.

## **2. STICK TO A BUDGET:**

How can you know where your money is going if u don't budget? You need a budget whether to make thousands or hundreds of thousands of dollars a year.

## **3. HAVE A SAVINGS PLAN:**

You have heard it before: Pay yourself first! If you wait until you've met all your other financial obligations before seeing what's left over for saving. Resolve to set aside a minimum 5% to 10% of your salary for savings before you start paying your bills.

## **4. INVEST:**

If you're contributing to a retirement plan and a savings account and you can still manage to put some money into other investments, all the better.

## **5. KEEP GOOD RECORDS:**

If you don't keep good records, you're probably not claiming all your allowable income tax deductions and credits. Set up a system now and use it all year. It's much easier than scrambling to find everything at tax time, only to miss items that might have saved you money.

## **6. SAVE 20% OF YOUR INCOME:**

The vast majority of wealthy people in research save a significant amount of their income. Economists recommends putting 20% of your monthly net pay, or what you take home after taxes and other deductions, into savings.

**DIVYA PAL**  
**FYBBI**

# REPAYMENT OR INVESTMENT

**The final decision will depend not only on the return numbers, but also the qualitative factors such as your mental setup, your financial needs and your current financial health.**

The economy is made up of several moving parts which impact each other in different ways. Intersperse this with your personal requirements, and it makes for multiple choices in decision making. Based on the choices you make, your finances and in turn your life goals will be impacted. So it is wise to make a decision looking at all relevant parameters.

In the current scenario one question that many people would be grappling with would be the choice between investing into the equity market, buying a home or repaying home loans. As of now we are seeing a decrease in home loan rates and an upward trending equity market. If you have money in hand, what should you do, prepay a part of your outstanding loan or invest into equity or property?

If you want to buy a new house for personal use, then it is more of an emotional decision, so you might as well go ahead in buy it, even if renting makes more sense than buying-mathematically speaking! When it comes to putting in money into a house as an investment, there are many factors you need to look into, including the opportunity cost. Buying a house means putting a lumpsum as down payment as well as a regular payout in EMI. The opportunity cost lies in whether you will get a better return if you invest the lumpsum and the EMI into another product versus return on your property investment after bearing the costs of interest and maintenance and adding rent if you get any. Besides, there is also the convenience factor to consider.

If you choose to invest the amount instead of pre-paying the loan, you could get a range of returns. I have analyzed scenarios ranging from 8 percent to 15 percent return, assuming an investment in equity funds. I have also assumed that you will close the loan once the investment amount is equal to the outstanding loan. You can see that even at a pessimistic return of 8 percent you will be able to close the loan more or less at the same time as you will if you make the part pre-payment now. The difference being in the total amount of interest you will pay in both these scenarios.

The final decision will depend not only on the numbers as shown above, but also the following factors:

1. Your mental set-up. Will being debt free make you happy? Or you enjoy getting returns on leveraged investments? Your mental set-up will be the first point of decision.

2. What is your risk profile? Will you be able to live with the volatility of equity as an asset class, if the money is to be invested in equity? Your investment might fluctuate over time and might even show negative returns in some periods.
3. Job security: Will you be able to manage the EMI's if there is a job loss? Is there an alternate income available (spouse's income/rental etc.) or are there sufficient funds for emergency that can help tide over the phase till you get your next job?
4. How prepared are you for your other financial goals? If you have a child's higher education coming up in a few years, you might want to keep the funds invested in appropriate instruments rather than repaying the home loan.
5. What is your liquidity position? If you are asset rich but cash poor, you may want to consider improving your liquidity by investing the amount in debt instruments rather than repaying the loan.

After considering all the above factors, if you decide to just opt for the lower interest rate on the home loan, without making any part prepayment and invest the amount of Rs.11 lakh into equity funds, you stand a chance to make a corpus of about Rs.50 lakh to Rs.80 lakh (assuming a return range between 12 percent-15 percent) by the time your loan gets over in May-2031. This can be utilized for goals like education for children or your retirement.

If you realize that you need to have liquidity for short term, equity investment might not be a right choice for you. In such a case you may want to look at moving your home loan into a super-saver or smart home loan kind of structure where the spare funds can be held in the home loan account. This will reduce the interest on the home loan while providing you with liquidity at the same time, with a rate of return equivalent to the rate of the home loan. If you have a major goal coming up in less than five years, you may want to look at debt mutual funds for investing your money.

So you can see that it is not an answer that can be the same for everyone, it entirely depends on individual circumstances and should be dealt with accordingly.

**UDAY MADIWAL**  
**SYBBI**



# PREPAYMENT OF HOME LOAN

There is no doubt that prepayment amount used for tenure reduction is more profitable. But this doesn't make EMI reduction obsolete. There are lot of advantages in utilizing the prepayment amount for EMI education. But to take the right decision, we must first know which is a better option, to reduce EMI or tenure. The answer to this query is tricky as the solution is situation based. But figuring it out is not difficult either. This article will tell you how...I have written a separate blog post on loan tenure reduction and its advantages. So, you can read this blog post to know more about tenure reduction. I would utilize this space to talk more about the benefits of EMI reduction

## 1. The burden of High EMI

We all dream to buy a big home for self. But the limitation is obvious, high cost of property. Higher is the cost, more will be the home loan EMI. The problem with EMI is, it's a recurring expense. No matter what may come, the EMI will be debited from one's account on a fixed date of every month. It's like a BIG-AUTOMATIC-EXPENSE. Psychologically, the effect of EMI on the payee can be negative. Its intensity becomes even more magnified when EMI is very high. Is there any way one can reduce EMI of home loan? Yes, by making prepayments EMI can be lowered. Prepayment of loan allows the borrower to pay excess amount, in addition to EMI, and reduce the outstanding principal. Reducing the outstanding principal reflects in one's interest load:

High loan balance (principal) will incur higher interest load.

Low loan balance will incur lower interest load.

By making prepayments one can reduce the loan balance (hence EMI), and also money on the interest front.

## 2. Reduce EMI or tenure...

Person who is making a prepayment has two alternatives, one is to reduce EMI and other is to reduce tenure. Both ways one can save money. But which is better? Generally, financial gurus will advise people to opt for tenure reduction. Even banks as a default offers tenure reduction. Hence as a result, majority of prepayments made in India are for tenure reduction only. But in this article, we are going to discuss the opposite of this trend. We will see how prepayment of home loan to 'reduce EMI' can be made a better alternative than 'tenure reduction'.

People who have purchased expensive property pays high EMI's. Generally speaking, if more than 60% of one's monthly salary (take home after all deductions) is spent on EMI, it can be classified as expensive. It is important for people to take necessary action to bring EMI back to normal levels. Prepayment is the available alternative for the borrower to reduce EMI. It is important to note that for people who are paying very high EMI's, for them the number one priority is EMI reduction. Reduction of tenure by prepayment may save

more money, but it will not serve the purpose. If planned correctly, EMI reduction option may prove to be a better alternative than tenure reduction. But before, let's see few exemplary facts about EMI reduction and tenure reduction.

### 3. Paying higher EMI is better...

Before we dig deeper into the option of EMI reduction, a basic fact about tenure reduction must be known. There is a clear advantage in paying a high EMI (if one can afford). Let's try to understand this with a small example. Two friends Jack and John has taken Rs.50Lakh loan @10% interest.

Conclusion: Paying higher EMI is better. But still there are conditions where one must reduce EMI over tenure reduction. We will see when...

### 4. Difference between EMI reduction and tenure reduction

What is the difference between utilizing the prepayment amount for EMI Reduction and tenure reduction? When one prepays home loan, loan outstanding is directly reduced. Lower level of loan will charge less interest. This is clear. But why for the same prepayment value, tenure reduction shows higher savings and EMI reduction shows lower savings? This happens due to lowering of EMI. The higher the EMI the faster the loan outstanding decreases.

Conclusion: The savings in "tenure reduction" is substantially more than "EMI reduction".

Prepayment Calculator used to Reduce EMI

Prepayment of loan directly lowers the principal amount. Keeping the tenure unaltered, lower principal amount directly lowers the EMI. In order to understand how much EMI can be reduced by prepayment, I am providing here an excel sheet.

Step 1 – Enter loan details like this:

Year	Month 1
1	Loan Outstanding 1,00,00,000
	Balance Tenure (months) 300
	Interest % 8.50%
	Prepayment Amount 0
	Net Loan Outstanding 1,00,00,000
	EMI Paid ₹ 80,523
	Loan Balance ₹ 99,90,311

Manually add loan details here

Step 2 – Enter prepayment details like this:

Suppose loan prepayment has been made as below:

In month 13th – Rs.10,000

Let's see how this data entry (related to loan prepayment) is made in this excel sheet:

Month 13		Month 14	
Loan Outstanding	98,79,089	Loan Outstanding	98,58,554
Balance Tenure	288	Balance Tenure	287
Interest %	8.50%	Interest %	8.50%
Prepayment	10,000	Prepayment	0
Net Loan Outstanding	98,69,089	Net Loan Outstanding	98,58,554
EMI Paid	-₹ 80,441	EMI Paid	-₹ 80,441
Loan Balance	-₹ 98,58,554	Loan Balance	-₹ 98,47,944

Enter the prepayment amount here

Month in which the prepayment has been made

Step 3 – Just note the reduced EMI due to prepayment:

Month 1	
Loan Outstanding	1,00,00,000
Balance Tenure (months)	300
Interest %	8.50%
Prepayment Amount	0
Net Loan Outstanding	1,00,00,000
EMI Paid	-₹ 80,523
Loan Balance	-₹ 99,90,311

EMI before prepayment

Month 13	
Loan Outstanding	98,79,089
Balance Tenure	288
Interest %	8.50%
Prepayment	10,000
Net Loan Outstanding	98,69,089
EMI Paid	-₹ 80,441
Loan Balance	-₹ 98,58,554

Reduced EMI after prepayment

Step 4 – Note the saving made due to prepayment:

There are two clear benefits of prepayments here:

It reduces EMI, &

It also saves some money in long run.

Total Payment Envisaged in the First Month	2,41,56,813
Actual Payment Made after prepayment	2,40,22,069
Total Prepayment Amount	1,00,000
Savings due to Prepayment	1,34,744

Savings

Prepayment of Rs.1.0Lakhs Saves Rs.1.34Lakhs

If you will compare the saving achieved due to “tenure reduction” and “EMI reduction”, the clear winner will be tenure reduction (see the above comparison in #4.1 and #4.2). But what EMI reduction does is to give immediate relief from the EMI burden. But there is a way to make EMI reduction as profitable as tenure reduction. How to do it?

How to make EMI reduction more profitable?

When one makes a prepayment and reduces the EMI, they are actually reducing their expense. Reduction of expense means the person has extra money in hand (savings). In order to make EMI reduction more profitable, my suggestion is to “wisely utilize these savings”. What I mean by wise utilization? Simply use the saved amount to **invest in a mutual fund SIP**.

**JULIE SINGH**

**FYBBI**

# BEGINNER TIPS ON INVESTING IN MUTUAL FUNDS

The most effective, profitable method for investing success with mutual funds never forgets the fundamentals

- Researching and choosing the best funds
- Building a solid foundation.
- Trustworthy portfolio
- Sticking with it.

All these are based on comprehension is key to investment success.

## 1. Getting Started;

Investing begins before buying the first mutual fund, if you're investing independent of a financial advisor

- Hope of accomplishment with your savings.
- A secure retirement.
- Accumulation of wealth for strengthening financial security.
- Time horizon.

## 2. Basic Types and Categories of Mutual Funds:

- Stock
- Bond
- cash

## 3. Knowing Your Risk Tolerance:

Before choosing funds, it's important to know your risk tolerance—a measure of the level of fluctuation or market risk to which you're willing to subject your portfolio.

You might consider starting with a fund. If you're a bit more experienced in investing or are fortunate enough to have a bit of money to "play around with" for a while, a somewhat more approach might be right down your alley.

## 4. Determining Asset Allocation:

Once level of risk tolerance is determined, consider your desired asset allocation—the mix of investment assets comprising your portfolio. The proper asset allocation will reflect your level of risk tolerance:

- aggressive (high tolerance for risk)
- moderate (medium risk tolerance)
- conservative (low risk tolerance)

## 5. Choosing the Best Funds:

With thousands of mutual funds to choose from and hundreds of different fund families offering them, choice overload and the potential to make needless mistakes exists. Without a doubt, [no-load funds](#) are the best choice for mutual fund investors. Mutual fund research can be made easier with a good online research tool.

## 6. The Basics of Mutual Fund Taxation:

How does one reduce taxes on mutual funds? Which types of funds are best for taxable accounts? Why did you receive a 1099? Understanding mutual fund taxation will help improve your overall returns by being a smarter investor. As the saying goes, "Nothing is sure in life but death and taxes." However, taxes can be minimized or even avoided with regard to mutual fund investing.

**NOMAN KHAN**

**TYBBI**

# DIGITAL WALLETS IN INDIA

## ➤ **Citi Master Pass:**

Citi Master Pass, a free digital wallet, helps make checking out while online shopping a speedier process. Once you've stored all your payment and shipping details in your Citi Wallet, simply click on the Master Pass button and it will take care of the rest.

## ➤ **Citrus Pay:**

Citrus Pay, one of the top e-wallets in India, it offers a Citrus wallet for customers as well as payment solutions to businesses. With a strong base of 800 million customers, it has definitely earned its spot as one of the best mobile wallets in India.

## ➤ **Ezetap:**

Ezetap, a Bangalore based digital payment solution founded in 2011, offers business owners solutions to accept card payments via electronic devices. It also send customers e-receipts through an SMS or email.

## ➤ **HDFC PayZapp:**

HDFC PayZapp, making digital payment in India simplified with one click payments, is one of the top online wallets in India. Users can easily compare flight and hotel tickets and even buy music or pay bills with the app. Simple connect your debit/credit card once and forget to worry about making payments.

## ➤ **ICICI Pockets:**

While you might find a Pocket card redundant, considering you're opting for an e-wallet app to avoid using a card, they do have a pretty neat wallet app. It's VISA powered and can be used on any Indian website, or to transfer money to email ids, WhatsApp contacts, and also just tap and pay your friends easily.

## ➤ **Momo express:**

Momo express, a Bangalore based digital wallet in India, claims to have the fastest checkout system. Though they're only available in Bangalore, they have a wide range of solutions they offer to residents on the city. From paying for your rickshaw ride to salons & spas, there are over 3000 outlets available at your disposal.

➤ **MoneyonMobile:**

MoneyOnMobile, authorized by the Reserve Bank of India, enables users to buy goods, products, and services from registered merchants. It's a multilingual app that reaches remote areas of the country to millions of users making online payments available to a wide population.

➤ **Oxigen:**

Oxigen, a FinTech company founded in July 2004, is one of the major providers of digital payment in India. Along with making online purchases and paying bills, you can also send gift cards to your dear ones.

➤ **PayMate:**

PayMate, founded in 2006 by Ajay Adiseshann, launched PayPOS in 2012, an app for small business owners to receive payments conveniently via debit cards and credit cards and also process electronic transactions.

➤ **PayUmoney:**

PayUmoney, a part of PayU India, is a free payment gateway solution for merchants to collect payments from customers via debit/credit cards or net banking, and more. They also offer SMS and email invoicing for merchants that do not have a website.

**VIJAYLAXMI YADAV  
ALUMNI**

# SYSTEMATIC INVESTMENT PLAN

## ➤ **What is SIP?**

Systematic Investment Plan, commonly known to as an SIP, allows you to invest regularly a fixed sum in your favorite mutual fund scheme. In SIP, a fixed amount is deducted from your savings account every month and directed towards the mutual fund you choose to invest in.

## ➤ **SIP or one-time: How should I Invest?**

Often first-time investors get confused choosing between a SIP investment and one-time investments.

## ➤ **One-time investment**

In this mode you make a onetime payment of considerable sum of money.

## ➤ **Monthly SIP**

On the other hand, in a SIP, a fixed amount of sum is deposited at regular intervals of time in a mutual fund scheme. One-time investment mode can be chosen if you have a money in hand right now that can be invested and a SIP can be chosen if you are expecting a regular inflow of money.

## ➤ **Duration of SIP**

The duration of SIP mutual fund is an important factor from a risk, return and tax point of view. Keep 5 years reference point and check how the fund performed across market.

## ➤ **Should I Choose SIP Long term wealth?**

Any investment period can be chosen by a customer. But, it has been proven that a long term investment has been rewarded with greater as compared to short term investment.

## ➤ **How much should I invest in a mutual fund through SIPO?**

In a SIP investment you can start with as low as Rs. 500 as your investment and you can go up to whatever limit you want to.

## ➤ **Can I miss a SIP payment?**

Yes, you can miss your payment and still your account wouldn't be deactivated. There are options to pause your payments in various mutual funds.

## ➤ **Are all investments through Sip having tax benefits?**

Only investments in ELSS through SIP have tax exemption up to Rs. 1.5 lacs PA under Section 80C.



➤ **Is SIP safe?**

A SIP is just a mode of investment. The safe/risky component is related to the investment which you choose.

➤ **How do I start my SIP investment?**

Just choose the investment in which you want to invest and you are ready to start. One primary thing is that you have to fill your KYC documents before investing.

➤ **How to shorten SIP duration?**

You can send a written application or ask for a request online to the fund management company before the next SIP is scheduled. However, you should have completed the minimum investment period, which is generally 6 months.

➤ **How can I extend my SIP duration?**

At the time of the SIP term, you will get an option for renewal of your investment. You can fill out that form and then choose the desired duration of investment.

**JEBA SINGH  
SYBBI**

# CROSSWORD

[illegible]

## Across

1. A Person Who Ownes Money To Another.
4. .... Investment Gives The Holder A Right To Receive A Share Of The Profits.
7. Of , Or Related To, Public Money.
8. Add, Subtract, Multiply, .....
10. A Continuing Rise In Prices.
15. The Price Paid For Something.
17. You Can Rent Or ..... A Car.
18. To Give Out, Or Provide Officialy , Eg To ..... Shares.
19. NOT KNOWN.
20. People Can Invest Money In Unit.
- 21..... Are All The Things With Monetary Value Owned By A Person Or Company.

# Down

1. To ..... Is To Postpone.
2. The Lowest Part, Or Foundation.
3. Tax ..... Is A Tax Free Amount.
5. .... Is A Colloquial Word Meaning An English Pound.
6. .... Is The Rate Of Income From Security.
9. People Can Put Their Money ..... Property, Equity Or Securities.
11. You Can Practice Your English By Having An English.
12. 12.If Someone Is Left Money By A Relative Who Has Died, He Has ..... The Money.
13. 13.What Kind Of Bank .... Have Paid Too Much Tax, Usually Get .... .
14. 14. People Who Have Paid Too Much Tax Usually Get .... .
16. General Tendencies Or Direction.

1D	E	2B	T	O	3R		4E	5Q	U	I	T	6Y	
E		A			E			U				I	
7F	I	S	C	A	L			8D	I	V	9I	D	EL
E		E			I				D		N		L
R					E						T		D
			10I	N	F	11L	A	T	12I	O	N		
13A						E			N			14R	
15C	O	S	16T			S			17H	I	R	E	
C			R		18I	S	S	U	E			B	
O			E			O						A	
19U	N	K	N		W	N						T	
T			D									E	
20T	R	U	S	T	S		21A	S	S	E	T	S	

**DEVESH SHINDE**  
**TYBBI**

# SCRAMBLE

1. The process of communicating financial Information to people outside of an organization.

**NILCFNAIA NCUCATIGON**

2. The expanded accounting equation  
Includes, revenues, expenses, common stock,  
Dividend, paid in capital.

**SRYRTAVE CKTOS**

3. Resource account with the same  
balance as expenses.

**SSTAES**

4. A formula used to compute and  
balance double accounting.

**GCTAUNCNOI EQOTIUAN**

5. Account paid in capital comes under?

**ITYQEU**

6. Things recorded by journal entries?

**ESBNUISS NATTNISROSCA**

7. The concept that debts will  
always equal credits

**LEDBOU TRNEY ONCTIUNGCA**

8. A record or document that contains  
account summarizes for accounts  
used by a company

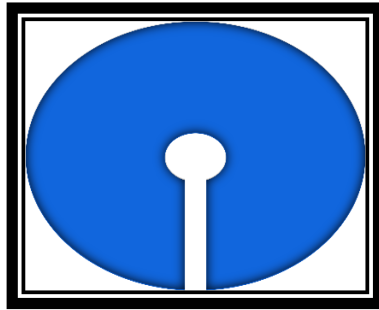
**RLGAENE GDLREE**

## ANSWERS:

1. FINANCIAL ACCOUNTING
2. TREASURY STOCK.
3. ASSETS.
4. ACCOUNTING EQUATION
5. Equity
6. BUSINESS TRANSACTION
7. DOUBLE ENTRY TRANSACTION
8. GENERAL LEDGER

**POONAM SONKAR  
FYBBI**

## GUESS THE LOGO



### ANSWERS:

1. FEDERAL BANK
2. STATE BANK OF INDIA
3. CENTRAL BANK OF INDIA
4. BANK OF BARODA
5. INDIAN BANK

AAKASH KORI  
TYBBI