CONTENTS

Preface

Acknowledgement

PAGE

I-5

I-7

Syllabus	I-9
UNIT 1	
FINANCIAL PLANNING AND FINANCIAL PRODUCTS	
CHAPTER 1	
FINANCIAL LITERACY	
◆ Introduction	1.3
◆ Financial Literacy	1.3
◆ Importance of Financial Literacy	1.4
◆ Financial Literacy Basic Vocabulary	1.6
Annual Percentage Rate	1.6
• Asset	1.6
Bait and Switch	1.6
• Bank	1.6
Bankruptcy	1.6
• Borrower	1.7
• Budget	1.7
 Comparison shopping 	1.7
• Credit	1.7

I-12 CONTENTS

	PAGE
Credit card	1.7
Credit report	1.7
• Credit score	1.8
 Creditworthiness 	1.8
Debit card	1.8
• Debt	1.8
• Default	1.8
Emergency fund	1.8
• Expense	1.9
• Income	1.9
• Interest	1.9
Need vs. Want	1.9
Opportunity cost	1.9
Pay yourself first	1.10
 Predatory lending 	1.10
Principal	1.10
• Rule of 72	1.10
Time value of money	1.10
Wealth	1.10
Review Questions	1.11
Practical Exercises	1.11
CHAPTER 2	
SAVING AND SPENDING MANAGEMENT	
◆ Introduction	2.1
◆ Need vs. Want	2.1
◆ Difference between Need and Want	2.2
◆ Spending Management	2.4
◆ Steps in Spending Management	2.4
◆ How To Manage Spending: Budgeting	2.5

CONTENTS	I-13
	PAGE
• Income	2.6
• Expenses	2.6
 Savings 	2.6
◆ Saving	2.6
◆ Financial Discipline	2.7
Review Questions	2.9
Practical Exercise	2.9
CHAPTER 3	
FINANCIAL GOALS AND PLANNING	
◆ Introduction	3.1
♦ Financial Goals	3.1
♦ How to Achieve Your Financial Goals	3.3
• Short-term Goals	3.3
Mid-term Goals	3.3
• Long-term Goals	3.3
◆ Attributes of Sound Financial Goals: Smart	3.4
S stands for Specific	3.4
M stands for Measurable	3.4
A stand for Achievable	3.4
• R stands for Relevant	3.4
• T stands for Timely/Time-Bound	3.5
♦ Financial Planning	3.5
• Financial planning process	3.5
Practical benefits to financial planning	3.6
Need for financial planning	3.7
Review Questions	3.7
Practical Exercise	3.8

I-14 CONTENTS

	PAGE
CHAPTER 4	
TIME VALUE OF MONEY	
◆ Introduction	4.1
◆ Time Value of Money	4.1
Relevance of Time Value of Money	4.2
◆ TVM Glossary	4.2
• Annuity	4.2
• Compound Interest	4.3
Compounding Frequency	4.3
• Discount Rate	4.3
• Future Value	4.3
 Number of Periods 	4.3
 Perpetuity 	4.4
Present Value	4.4
◆ Compounding	4.4
 Power of Compounding 	4.4
■ Present Value of Single Cash Flow for Annual Compounding	4.5
 Present value of Single Cash Flow for Non-Annual Compounding 	4.5
■ Effective Rate of Interest	4.6
■ Future value of Multiple and Cash flows	4.6
■ Future Value of Regular/Ordinary Annuity	4.7
■ Future Value of Annuity Due	4.7
◆ Discounting	4.8
• Present Value of Single Cash Flow	4.8
• Present Value of Multiple Cash Flow	4.8
Present Value of Regular/Ordinary Annuity	4.9
Present Value of Annuity Due	4.9
• Present Value of Perpetuity	4.9
◆ Applications of Time Value of Money	4.10
Sinking Fund Problem	4.10

CONTENTS	I-15
	PAGE
Capital Recovery Problem/Loan Repayment	4.10
• Compounded Growth Rate Problem	4.11
• Interest Rate Problem	4.11
Deferred Payment Problem	4.11
Solved Problems	4.12
Review Questions	4.15
Practical Exercises	4.16
UNIT 2	
BANKING AND DIGITAL PAYMENT	
CHAPTER 5	
BANKING PRODUCTS AND SERVICES	
◆ Introduction	5.3
♦ Banking Products and Services	5.3
Types of Banking Activity	5.4
 Retail Banking Products and Services 	5.4
 Corporate Banking Products and Services 	5.9
♦ Marketing of Digital Banking Products	5.10
Review Questions	5.11
Practical Exercises	5.11
CHAPTER 6	
DIGITIZATION OF FINANCIAL TRANSACTIONS	
◆ Introduction	6.1
◆ Impact of Digitization on Financial Services	6.2
Critical Analysis of Digitization of Financial Transactions	6.2
◆ Digital Payment Initiatives	6.5
Credit card	6.6
Debit card	6.7
Prepaid cards	6.8

I-16 CONTENTS

	PAGE
 Aadhaar Enabled Payment System (AEPS) 	6.9
Net Banking	6.10
Types of Funds Transfer Available	6.11
UPI and Digital Wallets	6.12
Unified Payment Interface (UPI)	6.12
■ Digital Wallets	6.14
Review Questions	6.15
Practical Exercises	6.15
CHAPTER 7	
PROTECTION AGAINST BANKING AND FINANCIAL FRAUE)
◆ Introduction	7.1
◆ Financial Frauds	7.2
◆ Ponzi Schemes	7.2
◆ Online Frauds	7.5
 Types of online banking frauds 	7.8
◆ Protection and Security Against Online Fraud	7.8
Review Questions	7.14
Practical Exercises	7.14
UNIT 3	
INVESTMENT PLANNING	
AND MANAGEMENT	
CHAPTER 8	
INVESTMENT PLANNING AND MANAGEMENT	
◆ Introduction	8.3
◆ Meaning of Investment	8.4
◆ Investment and Speculation	8.4
◆ Objective of Investment	8.5
◆ Investment Planning	8.6

CONTENTS	I-17
	PAGE
♦ Benefits of Investment Planning	8.6
◆ Investment Process	8.7
♦ Risk and Return	8.9
◆ Concept of Return	8.9
◆ Measurement of Return	8.10
Holding Period Return	8.10
• Expected Return	8.10
Real Rate of Return	8.11
◆ Impact of Taxes on Investment Decisions	8.12
◆ Concept of Risk	8.13
Risk vs. Uncertainty	8.13
• Types of Risk	8.13
■ Systematic Risk	8.13
Unsystematic Risk	8.14
 Sources of Risk 	8.14
◆ Measurement of Total Risk	8.16
♦ Risk - Return Trade-off	8.18
◆ Portfolio Management	8.19
 Activities involved in the Portfolio Management 	8.19
Portfolio Return	8.20
• Portfolio Risk	8.20
 Portfolio Diversification 	8.21
◆ Investment Alternatives and Finance Products	8.21
• Stock	8.21
 Debentures and Bonds 	8.22
Mutual Funds	8.24
 Post Office Monthly Income Scheme 	8.24
• Fixed Deposits	8.24
Real Estate	8.25
• Gold	8.26
• Derivatives	8.26

I-18 CONTENTS

	PAGE
Money Market Instruments	8.27
Government Saving Schemes	8.27
Life Insurance	8.29
Solved Problems	8.29
Review Questions	8.32
Practical Exercises	8.33
CHAPTER 9	
MUTUAL FUNDS	
◆ Introduction	9.1
♦ Mutual Funds	9.2
◆ Cost and Expenses of Mutual Funds	9.2
Entry Load and Exit Load	9.2
• Expense Ratio	9.3
♦ Net Asset Value	9.3
 Misconceptions About NAV 	9.4
◆ Different Types of Mutual Funds Schemes	9.5
Based on Structure	9.5
Based on Asset Class	9.5
• Based on the Investment Goal	9.6
Geographical Classification	9.6
• Other Funds	9.7
◆ Latest Development Associated with Mutual Funds	9.7
• Systematic Investment Plan (SIP)	9.7
 Systematic Withdrawal Plan (SWP) 	9.8
◆ Regular vs. Direct Mutual Fund : Which is better?	9.10
◆ Tax Implications on Mutual Funds	9.10
◆ Key Points to Remember before Investing in Mutual Fund	9.10
Solved Problems	9.12
Review Questions	9.16
Practical Exercises	9.16

CONTENTS	I-19
	PAGE
CHAPTER 10	
LIFE AND GENERAL INSURANCE	
◆ Introduction	10.1
◆ Principles of Insurance	10.2
◆ Different Types of Risk Included in Insurance	10.3
◆ Life Insurance	10.4
Need for Life Insurance	10.4
Benefits of Life Insurance	10.4
◆ How to Decide on the Best Life Insurance Plan that Suits your	
Needs?	10.6
◆ Types of Life Insurance	10.6
• Term Life Insurance	10.6
• Types of Term Plans	10.7
Whole Life Insurance	10.8
• Types of Whole Life Insurance	10.8
Unit Linked Plans (ULIPs)	10.9
■ Endowment Plans	10.9
■ Retirement Plan	10.10
Other Types of Life Insurance	10.10
◆ Claim Settlement Process	10.11
◆ Life Insurance Companies in India	10.11
◆ General/Non-Life Insurance	10.12
Review Questions	10.12
Practical Exercise	10.13
CHAPTER 11	
HEALTH INSURANCE	
◆ Introduction	11.1
◆ Need for Health Insurance	11.2
◆ Importance of Buying Health Insurance in India	11.2

11.4

◆ Health Insurance Policies

I-20 CONTENTS

	PAGE
Indemnity Plan	11.4
• Types of Indemnity Plans	11.4
• Fixed Benefit Plan	11.6
Types of Fixed Benefit Plans	11.6
♦ Government Sponsored Schemes	11.7
Rashtriya Swasthya Bima Yojana (RSBY)	11.7
• Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY)	11.7
 Pradhan Mantri Suraksha Bima Yojana (PMSBY) 	11.7
• Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)	11.8
• Aam Aadmi Bima Yojana (AABY)	11.8
• Central Government Health Scheme (CGHS)	11.8
 Universal Health Insurance Scheme (UHIS) 	11.8
◆ Coverage of Health Insurance	11.9
◆ Claim Settlement	11.9
• Documents Required to Process Claims	11.9
• Claim Process	11.10
Time taken to settle the claim	11.11
• Exclusions	11.11
◆ Things to Consider Before Buying a health Insurance	11.11
Review Questions	11.12
Practical Exercises	11.12
UNIT 4	
TAX PLANNING	
CHAPTER 12	
PERSONAL TAX PLANNING	
◆ Introduction	12.3
◆ Tax and its importance	12.3
◆ Tax Planning	12.4
◆ Why should we do Tax Planning?	12.4

CONTENTS	I-21
	PAGE
◆ Types of Tax Planning	12.5
♦ How to Get Started with Tax Planning?	12.6
◆ Tax Management	12.6
◆ Tax Avoidance	12.7
◆ Tax Evasion	12.7
Methods of Tax Evasion	12.7
Review Questions	12.8
Practical Exercise	12.9
CHAPTER 13	
TAXATION IN INDIA	
◆ Introduction	13.1
◆ Taxation System in India	13.2
◆ Types of Taxes	13.2
• Direct Tax	13.2
• Indirect Tax	13.3
◆ Reform in Indirect Tax Laws: Goods and Services Tax	13.3
Difference between Direct Tax and Indirect Tax	13.4
◆ Taxation Administration in India	13.4
◆ Taxation Terminologies	13.5
◆ Taxation on Individuals Income: Residential Status	13.5
◆ 5 Heads of Income-tax	13.6
Income from Salary	13.6
• Income from House Property	13.8
• Income from Profits and Gains from Business and Profession	13.9
• Income from Capital Gains	13.10
• Income from Other Sources	13.10
◆ Classification of Individual Assessee Based on Age	13.10
◆ Taxation Slabs	13.11
◆ CESS	13.11
◆ Surcharge	13.11

I-22 CONTENTS

	PAGE
◆ New Tax Regime	13.12
Benefits of New Tax Regime	13.13
♦ Old vs. New Regime: Which is Better?	13.14
Solved Problems	13.15
Review Questions	13.20
Practical Exercises	13.21
CHAPTER 14	
DEDUCTIONS AND EXEMPTIONS	
◆ Introduction	14.1
◆ Exemption	14.1
◆ Deduction	14.2
• Exemption vs. Deduction	14.2
◆ List of Exemptions During Employment	14.2
House Rent Allowance	14.2
• Leave Travel Allowance	14.2
Helper Allowance	14.3
Research Allowance	14.3
Uniform Allowance	14.3
Travelling Allowance	14.3
Daily Allowance	14.3
• Conveyance Allowance	14.3
Academic Allowance	14.3
Children Education Allowance	14.4
Hostel Expenditure Allowance	14.4
Tribal Area Allowance	14.4
• Transport Allowance	14.4
 Allowance to Transportation Industry employees 	14.4
Underground Allowance	14.4
Car Maintenance Allowance	14.4
◆ List of Exemptions at the Time of Retirement	14.5

CONTENTS	I-23
	PAGE
• Gratuity	14.5
• Commuted Pension	14.5
• Leave Encashment	14.5
Voluntary Retirement Scheme	14.5
♦ List of Exemptions (Special Allowances)	14.6
◆ Deduction Under Section 16	14.6
◆ Deductions (Sections 80C to 80U)	14.7
◆ Conditions For Opting New Tax Regime	14.16
♦ Best Tax Saving Schemes	14.16
Solved Problems	14.17
Review Questions	14.21
Practical Exercise	14.21
CHAPTER 15	
E-FILING OF INCOME TAX RETURN	
◆ Introduction	15.1
♦ Income-tax Return	15.1
◆ Types of Income-tax Returns	15.2
• ITR-1 or Sahaj	15.2
• ITR-2	15.2
• ITR-3	15.3
• ITR-4 or Sugam	15.4
• ITR-5	15.4
• ITR-6	15.5
• ITR-7	15.5
♦ Modes of Filing the Income-tax Return	15.6
◆ Documents Required for Filing ITR	15.7
♦ Importance of Filing Income-tax Returns	15.7
◆ E-Filing of Return	15.8
♦ Advantages of Electronic Filing of Returns	15.10
◆ Precautions While Filing Income-tax Return	15.11

I-24 CONTENTS

	PAGE
Review Questions	15.12
Practical Exercises	15.12
QUESTION PAPER	
◆ Value Addition Course (VAC) : Financial Literacy (Common Paper :	
Part 1/Sem. 1 (2022-23))	P.1