1. ABC Limited has 3 departments. Their relevant data appears as under :

Rs 000

	1	2	3	Total
Sales	350	420	150	920
Variable Costs	280	210	120	610
Contribution	70	210	30	310
Fixed Cost				262.5
Net Profit				47.5

60% of the total fixed costs are to be allocated to each department equally.

ABC company is bidding for three different projects. Expected profits from the projects are Rs 50 Million, Rs 90 Million and Rs 100 Million respectively from projects X,Y and Z. The company estimates its chances of winning the contracts for the projects as under :

Project X 50%, Project Y 33.33% and Project Z 20% .

What is the expected calculated value of these contracts to the ABC Company.

Show all your calculations.

2. The company is considering to maximize its profits by closing certain departments. In order to maximize profits, which departments should remain open?

   Show all your calculations

3. XYZ Bank has declared a right issue of 300% at a discount of Rs 5 per share on the face value of Rs 10. The current data is as under :

   Paid up capital Rs 1 billion divided into ordinary shares of Rs 10 each issued at par

   Calculate the revised net paid up capital assuming the rights offered are taken in full and subscribed for by the shareholders.Show all your calculations.

4. Following data pertains to ABC bank:

   Net surplus funds from deposits: Rs 10 billion

   New products requirement waiting for launch Rs 5 billion at a return of 15% p.a. by next month. The treasurer has current offers for inter bank lending at 12% .

   How much should the treasurer lend and for what period ?

5. ABC Bank Limited has following data available : (10)

   Credit card portfolio outstanding balance disbursed funds: Rs 5 billion

   Credit card bad portfolio written off Rs 1 billion. However the recovery team expects at least 50% recovery from the written off portfolio.

   Of the outstanding portfolio, Rs 4 billion earns only 2 % being fee on transactions whereas the remaining amount is rolled over by card holders as credit at 36% p.a. in addition to the fee of 2% on transactions. Provision for credit loss is provided @ 5 % on the rolled over portfolio.

   ABC bank is planning to exit from the card business and is willing to sell the portfolio at book value minus/plus any relevant adjustment.

6. XYZ Bank is willing to buy the card portfolio and have requested you to work out the value at which the card portfolio may be purchased.

   Assuming you are satisfied with the results of your due diligence of the portfolio, please compute the purchase price of the portfolio showing all calculations and the amount of revenue that the card business will generate for the XYZ bank.

7. Following data pertains to XXX bank

   Two immovable properties at Karachi and Lahore have following data:

   Actual cost Rs 500 Million

   Revaluation surplus Rs 1,500 Million

   Book value Rs 2,000 Million

   Accumulated losses Rs 1,500 Million

   It has been proposed to sell both the properties and realize the revaluation surplus and off-set it against the accumulated losses .It has also been proposed to do a sale and lease-back transaction in a way that both properties return to the bank after lease period of 3 y over .

You are required to prepare a proposal to the board of directors based on above data recommending the transaction and giving pros and cons for a direct sale versus sale and leaseback. Ignore taxation. Show all your calculations.

8. The summarized balance sheets of AAA at 31 December 2008 and 2007 are as follows:

(Rs)

	2008	2007
Property at cost	130,000	110,000
Plant & machinery at cost	151,000	120,000
Fixtures and fittings at cost	29,000	24,000
Inventory	51,000	37,000
Receivables	44,000	42,800
Government stock (not qualifying as cash equivalents)	4,600	--
Cash at bank	11,400	200
TOTAL	421,000	334,000

Equity share capital	150,000	100,000
Share premium	35,000	15,000
Retained profit	56,000	21,500
Loans	30,000	70,000
Deferred tax	18,000	11,000
Payables	53,000	36,500
Bank overdraft	--	14,000

Tax payable	10,000	8,000
Depreciation on plant and machinery	54,000	45,000
Depreciation on furniture and fixtures	15,000	13,000
TOTAL	421,000	334,000

The following information is relevant:

A) There had been no disposal of property in the year.

B) A machine tool which had cost Rs 8,000 (in respect of which Rs 6,000 depreciation had been provided) was sold for Rs 3,000, and fixtures which had cost Rs 5,000 (in respect of which depreciation of Rs 2,000 had been provided) were sold for Rs.1,000. Profits and losses on those transaction had been included in operating profit.

C) The income tax liability in respect of the year ended 31 December 2007 amounting to Rs 8,000 had been paid during the year.

D) The income statement charges in respect of tax were: income taxes Rs 12,500; deferred tax Rs 9,500.

E) The premium paid on redemption of loans was Rs 2,000, which has been written off to the income statement.

F) A dividend of Rs 10,000 was paid during the year.

G) Interest received during the year was Rs 450. Interest charged in the income statement for the year was Rs 6,400. Accrued interest of Rs 440 is included in payables at 31 December 2007 (nil at 31 December 2008).

You are required to prepare a cash flow statement for the year ended 31 December 2009, in accordance with IAS.

9. You are managing the liquidity of your bank .The current data is available to you from the daily balance sheet :

Total deposits Rs 70 billion

Of which Current and savings are Rs 40 billion

Term deposits -1 year 20

-3 years 5

-5 years	5

It has been proposed to launch a new mortgage product of 5-10 years maturity. The matter has been discussed in the Assets /Liability Committee (ALCO) and it has been debated that there is a need to launch a new deposit product of up to 10 years to avoid any mismatch on new mortgage product .

It has also been discussed as an alternative to link the pricing of the new mortgage product to 6 months KIBOR to deal with the interest rate risk .A product program for the mortgage has been completed and the new product will have following outstanding balances at year end going forward :

Year 1	2 billion
Year 2	3 billion
Year 3	5 billion

Since you are the risk evaluator from the liquidity point of view ,you are required to prepare a report for ALCO giving your views on the launch of new mortgage product, mismatch and rate risk and your final recommendation.

10. An investment of Rs 36,000 is proposed which will be sold for Rs 2000 at the end of the project .Following cash inflows are projected :

Year	Cash inflow (Rs 000)
1	15
2	17
3	22
4	2

Calculate the net present value of the project using 10% and 20% as discount factors.