THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Winter-2010)
FINANCIAL PLANNING AND BUDGETING
Associateship

Q.1 **Please write the alphabet of the selected choice in the answer column:**

Q.2 **State True or False in the answer column. Give brief reason for your selection at the space provided below the question:**

Q.3 **Fill in the blanks.**

Q.4 **ABC bank is carrying held to maturity PIBs in its investment portfolio aggregating Rs 5 billion having a weighted yield of 5% p.a. The current unaccounted mark to market losses are at around Rs 600 million.**

Due to the recent hike in the SBP discount rate ,the management has decided to off load these investments in the market and reinvest the realized funds in term loans @ 16 p.a.

Please work out the Profit and loss impact in the year 2010, assuming the disposal takes place on 1st July 2010 and the realized funds are invested in term loans on the same day. Assume there are no other expenses on the disposal and the re-investment.

Show all your calculations:

Q.5 **The paid-up capital of AAA Bank net of accumulated losses aggregates to Rs 7 billion as at 31st December 2009. In 2010 the bank has incurred a further loss of Rs 1 billion .Assuming SBP minimum capital requirement at Rs 7 billion net of losses in 2010 ,work out the net shortfall in the capital requirement for this Bank.**

Show all your calculations.

Q.6 **CCC Bank has declared a right issue of 300%, at Rs 10/- per share. 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 by the shareholders .

Show all your calculations.

Q.7 Following data pertains to ABC bank:

Gratuity Fund balance	Rs 100 Million
Gratuity liability	Rs 130 million

The management has decided to reduce the retirement age from 65 to 60 which will enable the bank to eliminate the shortfall in the fund by reducing the liability to 90% of the fund balance. The resultant gain will be taken to profit and loss account of the bank.

Please work out the impact of the above on the profit and loss of the bank.

Q.8 ABC Bank Limited has following data available :

- Non-performing loans: Rs 12 Billion
- Provision held against NPLs: Rs 7 Billion
- Forced sale value (FSV) of underlying properties /stock in trade held against NPLs aggregates Rs7 billion .

The management has proposed to off load the entire portfolio of bad loans to a public sector company for Rs 5 billion and reinvest the funds thus received increasing the earning assets of the bank.

Please prepare a report to the management on the pros and cons of the proposal. Show all your calculations.

Q.9 Income statement for the period ended 31 December 2012

	Rs in Million
Sales Revenue	30,650
Cost of Sales	(26,000)
Gross Profit	4,650
Depreciation	(450)
Administrative and selling expenses	(950)
Interest expense	(400)
Investment income	500
Profit before tax	3,350
Income tax expense	(300)
Profit after tax	3,530
Extraordinary item	

Insurance proceeds from earthquake disaster settlement	180
Net Profit	3,230

Balance Sheet as at 31 December

(Rs in million)

	2012		2011	
Assets				
Cash and cash equivalents (see note)		410		160
Accounts receivable		1,900		1,200
Inventory		1,000		1,950
Portfolio Investments		2,500		2,500
Property, plant and equipment at cost	3,730		1,910	
Accumulated depreciation	(1,450)		(1,060)	
Property, plant and equipment net		2,280		850
Total assets		8,090		6,660
Shareholders' Equity				
Share Capital		1,500		1,250
Retained earnings		3,410		1,380
Total shareholders' Equity		4,910		2,630
Liabilities				
Trade payables		250		1,890
Interest payables		230		100
Income tax payables		400		1,000
Long-term debt (including finance leases)		2,300		1,040
Total Liabilities		3,180		4,030
Total equity and liabilities		8,090		6,660

Note: Cash and equivalents are made up as, follows:

	2012	2011
Cash	40	25
Short-term investments	370	135
	410	160

The following additional information is also available:

- Interest expense was Rs. 400 M of which Rs. 170 M was paid during the period. Rs. 100M relating to interest expense of the prior period was also paid during the period. Rs. 200M of interest was received during the period.
- Dividends paid were Rs. 1,200M
- The liability for tax at the beginning and end of the period was Rs. 1,000M and Rs. 400M respectively. During the period, a further Rs. 200M tax was provided for. Withholding tax on dividends received amounted to Rs. 100M
- During the period the group acquired property, plant and equipment with an aggregate cost of Rs. 1,900M, of which Rs. 900M was acquired by means of finance leases. Cash payments of Rs. 1,000M were made to purchase property, plant and equipment.
- Rs. 90M was paid under the finance leases.
- Plant with an original cost of Rs. 80M and accumulated depreciation of Rs. 60M was sold for Rs. 20M
- Accounts receivable as at the end of 2012 include Rs. 100M of interest receivable.
- Rs. 250M was raised from the issue of share capital and a further Rs. 450M was raised from long-term borrowings.

You are required to:

- Prepare a cash flow statement for the year ended 31 December 2012 using the indirect method and following the illustrative format in IAS 7 (i.e. starting the cash flow statement with the profit before tax and extraordinary items).
- Show all your calculations.

Q.10 Following data pertains to AAA Bank :

	2008	2007 (Rs 000)
Profit after tax December,31,	**550,000**	**460,000**
Number of ordinary shares (December end)	**1,000,000**	**800,000**

The 200,000 ordinary shares were issued on July 1,2008. Calculate the earning per share, show all your calculations.

Q.11 The following data pertains to a transport company:

	Departments		
	1	2	3
Revenue from passengers(RS000)	**146.2**	**293.5**	**271.9**
Number of vehicles	**7**	**12**	**10**
Total vehicle usage(000KMs)	**56**	**96**	**85**
Total vehicle charges (Per KM)	**0.6**	**0.6**	**0.56**
Service fixed cost (Rs000)	**49.7**	**85.2**	**70.7**

In addition general fixed costs are incurred. These include the cost of management, supervision, and administration and are absorbed into cost of journeys at a pre determined rate per KM. The pre-determined rate for the period was based upon:

-budgeted general fixed costs Rs 312,000
-budgeted vehicle usage 233,000 KM

Calculate the profitability of each of the departments 1 to 3 in terms of:
-total net profit
-contribution per KM net of variable cost
-Contribution per vehicle net of all direct service cost.

Show all your calculations.

-.-.-.-.-.-