

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Winter-2011)
Financial Planning & Budgeting
Associateship

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

Q.1 B) State True or False in the answer column. Give brief reason for your selection at the space provided below the question:

Q.1 C) Fill in the blanks:

Q.2 A) CCC Bank has acquired a new computer software on 1st January 2010. The total cost of the software is Rs 150 million. The software is to be amortized over 5 years.

Show the impact of this transaction on the cash flow statement of the bank for the year. Show all your calculations.

Q.2 B) CCC Bank has declared a bonus payout to its shareholders @ 20 shares for every 100 shares held of the bank.

The paid up capital is Rs 6 billion comprising of fully paid up shares of Rs 10 each. The total equity of the bank is Rs 10 billion. The bank has decided to use its reserves to pay the bonus.

Work out the number of shares to be issued and the amount to be capitalized out of reserves.

Show all your calculations.

Q.3 A) Following data pertains to ABC bank:

- Investment in the shares of an unlisted company RS 75 million comprising of 7.5 million shares of Rs 10 each.**
- The current accounts of the unlisted company show that the breakup value of the shares has soared to Rs.50 a share .After negotiation with the sponsors of the company, the bank has decided to sell half of the shares held to them at breakup value.**

Work out the profit to be realized on this disposal. At what value the remaining unsold shares shall be shown in the balance sheet of ABC Bank.

Show all your calculations.

Q.3 B) In the last year a division's controllable return on investment was 2% and its controllable profit was Rs 80,000. The cost of finance appropriated to the division was 18% per annum.

What was the division's controllable residual income in the last year? Show all calculations.

Q.4 AAA Bank has planned to generate FCY deposits and the management has approved and allowed branches to mobilize US dollar deposits. Following this decision branches mobilized US dollars 20 million on 1st January 2010 @ 1% p.a. maturing on 31st December 2010. After retaining 20% in FCY reserved assets, 80% of the FCY was sold in the open market @ Rs. 86 a dollar. At the same time the bank purchased forward dollars @Rs 87 a dollar for the amount of the FCY sold, the forward contract maturing on 31st December 2010. The bank purchased one year T bills from the Rupee liquidity generated, carrying/giving interest earning of 13% p.a. All the transactions settled on the due dates. Assuming there were no other FX rate movements during the period, you are required to calculate the net profit/(loss) generated from this deal.

Q.5 Following data pertains to projections prepared by ZZZ Company Limited:

	2012	2013	2014	2015	2016
Source of Funds					
Beginning cash	0	1,313,063	1,468,595	1,691,104	2,199,310
Service Income	2,366,986	2,662,548	3,416,123	4,565,616	5,981,959
Sale of Assets	0	0	0	0	0
Customer deposits	0	0	0	0	0
Loans	324,830	0	0	0	0
Contributed Capital	400,000	0	0	0	0
Available Cash	3,091,816	3,975,611	4,884,718	6,256,720	8,181,269
Use of Funds					
Salaries	1,355,000	1,676,000	2,044,000	2,557,000	3,355,000
Other operating expenses	423,753	759,933	900,245	1,187,340	1,533,432
Loan payments	0	24,910	99,640	99,640	99,640
Capital Expenditures	0	0	50,000	0	0
Tax Payments	0	46,173	99,729	213,430	277,791
Total Cash Out	1,778,753	2,507,016	3,193,614	4,057,410	5,265,863
Net Cash Flow	1,313,063	1,468,595	1,691,104	2,199,310	2,915,406

Prepare a projected profit and loss account based on the above information. Show all calculation.

Q.6 The following data pertains to a subsidiary of HHH Bank Limited classified as strategic investment as defined by State Bank of Pakistan:

Quoted value –Ordinary share Rs 3 per share

Break up value per share Rs 7 per share

Value worked out using the concept of own use as allowed under the International Accounting standard is also Rs 7 per share.

The bank owns 80% shares in the Subsidiary at Rs 10 per share. The issued and paid up capital of the subsidiary is 100 million shares of Rs 10 each.

The HHH Bank has decided that an impairment has taken place. Work out the amount of the impairment to be recorded in the books of the HHH Bank and state the amount of the investment in the subsidiary after impairment.

Q.7 A hotel calculates a number of statistics including average cost per occupied bed per day.

The following information is provided for a 30-day period.

	<u>Rooms with Twin beds</u>	<u>Single rooms</u>
Number of rooms in hotel	260	70
Number of rooms available to let	240	40
Average number of rooms occupied daily	200	30
Number of guests in period	6,450	
Average length of stay	2 days	
Payroll costs for period	Rs 10,000	
Costs of cleaning supplies in period	Rs 5,000	
Total costs of laundering	Rs 22,500	

What is the average cost per occupied bed per day for the period. Show all your calculation.

Q.8 A company has recorded the following variances for a period:

Sales volume variance	Rs 10,000 adverse
Sale price variance	Rs 5,000 favourable
Total cost variance	Rs 12,000 adverse

Standard profit on actual sales for the period was Rs 120,000.

What was the fixed budget profit for the period? Show all your calculations.

Q.9 Company manufactures and sells one product which requires 8 kg of material in its manufacture. The budgeted data relating to the next period are as follows:

	Units
Sale	19.000
Opening inventory of finished goods	4.000
Closing inventory of finished goods	3.000
	Kg
Opening inventory of raw material	50.000
Closing inventory of raw material	53.000

What is the budgeted raw material purchases next period (in kg)? Show all your calculations.

Q.10 A Company has a capital employed of Rs 200,000. it has a cost of capital of 12% per year. Its residual income is Rs 36,000.

What is the company's return on investment? Show all your calculations.

Q.11 A Company uses regression analysis to establish its selling overhead costs for budgeting purposes. The data used for the analysis is as follows:

<u>Month</u>	<u>Number of Salesmen</u>	<u>Sales overhead costs</u> Rs 000
1	3	35.1
2	6	46.4
3	4	27.0
4	3	33.5
5	5	41.0
	-----	-----
	21	183.0
	-----	-----

The gradient of the regression line is 4.20 using regression analysis, what would be the budgeted sales overhead costs for the month, in Rs 000, if there are 5 salesmen employed?
