

**ISQ Examination (Summer-2012)
Financial Planning and Budgeting – Associateship**

Q. AAA Bank has planned to generate foreign currency 1 year term deposits of US \$ 100 million @ 0.5% p.a. These deposits shall be converted to Rupees with forward cover obtained @ 10% p.a. After keeping 20 % in cash reserve the resultant Rupee liquidity will be utilized in Tbills @ 13.6% Another US \$ 100 million will be generated in current accounts which will be utilized in FCY lending @ 2% p.a. You are required to calculate the Rupee profit from these two transactions .Assume the exchange of Rs 90 to US \$. Show all your calculations.

Q. CCC Bank has declared a rights issue of 1 share of Rs 10 each for every one share held at a discount of Rs 7 per share. Calculate the net amount to be received by the bank assuming full subscription to the rights and current share capital of Rs 10 billion divided in to 1 billion share of Rs 10 each. Shares issue expenses are estimated to be Rs 10 Million. Show all your calculations.

Q. Following data pertains to ABC bank:

- Permanent staff 1,600

The annual appraisal exercise has just commenced, the management has decided that the appraisal process should result in following ratings based on performance

- Rating 1 10% population – increment of 10%
- Rating 2 20% population – increment of 8%
- Rating 3 40% population – increment of 5%
- Rating 4 30% population – no increment

Assuming average salary of Rs 450,000 p.a. per employee, calculate the estimated percentage increase in salary cost based on above performance curve.

Show all your calculations.

Q. ZZZ Bank provides fully maintained cars to its senior executives. The cost data relating to the vehicles is as under:

Bank maintained Car		
Particulars	Cost/month	
Cost		2,133,000
WDV		1,599,750

Head count		3
Car Carrying cost	26,663 x 3 =	79,988
Depreciation @ 20%	26,663 x 3 =	79,988
Maintenance Cost	11,811 x 3 =	35,433
	65,136	195,408

It has been decided to monetize the benefit .The SEVPs shall buy the car in their use at WDV on 1st April,2012 and effective from that day a monthly allowance will be paid to the SEVPs .The monthly car allowance will take in to account the following aspects ;

- Car carrying cost
- Maintenance cost
- Interest top up @ 12 % p.a. on car carrying cost
- Increase in tax expenses of employee calculated @ 10% of the car carrying cost,

You are required to calculate the amount of monthly car allowance payable to the senior employees of the bank. Show all your calculations.

- Q. PEK produces two products .Product M sells for Rs.15 and product N for Rs.7. The variable cost for M is Rs.4.5 and for N it is Rs 2.94. The marketing department estimates that for every 1 unit of M, 5 units of N will be sold. The fixed cost of PEK is Rs.36,000.

You are required to calculate the break-even point for PEK. Show all your calculation.

- Q. QZ Limited is trying to set the selling price of its product. Following options are being considered;

Price per unit	Rs 4	Rs 4.5	Rs 4.8
Expected sales (volume) Best possible	16,000	14,000	12,500
Most likely	14,000	12,500	12,000
Worst possible	10,000	8,000	6,000

Fixed costs are Rs 20,000 and variable cost is Rs 2 per unit. Which price is most suitable to the company. Show all calculations.

- Q. Following items are considered for a cash flow statement.

- Amortization of software.
- Amount paid to a vendor for refurbishment of a branch.

- Increase in overdraft limit
- Increase in contingent liabilities and commitments
- Contribution towards un- funded gratuity

Explain how each of the above items shall be considered in preparing the cash flow statement.

- Q. During period March, 1,500 units of product X were made and the cost of grade Z labor was Rs 17,500 for 3,080 hours. A unit of product X is expected to use 2 hours of grade Z labor at a standard cost of Rs 5 per labor hour. During the period, however, there was a shortage of customer orders and 100 hours were recorded as idle time.

Required:

Calculate the following variances.

- A) the labor total variance
- B) the labor rate variance
- C) the idle time variance
- D) the labor efficiency variance

Show all your calculations.

- Q. ZZZ Bank has the following deposit and cost data made available to you:

Local currency total deposits- cost for January	Rs 500 Million
Foreign currency Deposit cost for January	Rs 3 Million
Local currency average deposits	Rs 75 Billion
Foreign Currency average deposits	Rs 15 Billion
Forward cover fee on FCY deposits January	Rs 25 Million

Please calculate the cost of deposits for January 2012.

Show all your calculations.

- Q. HHH Co is a railway company which operates a passenger railway service and is responsible for the operation of services and the maintenance of track signaling equipment and other facilities such as stations. In recent years it has been criticized for providing a poor service to the travelling public in terms of punctuality, safety and the standard of facilities offered to passengers. In the last year the Company has invested over Rs 20 million in new carriages, station facilities and track maintenance in an attempt to counter these criticisms.

Summarized financial results for the Company for the last two years are given below.

Rs in million

Summarized income statement for the year ended 31 December		
	2010	2011
Sales revenue	180.0	185.0
Earnings before interest and tax	18.0	16.5
Interest	(3.2)	(4.7)
Tax	(4.4)	(3.5)
Earnings available to ordinary shareholders	10.4	8.3

Rs in million

Summarized statement of financial position (balance sheet) as at 31 December				
	2010		2011	
	Rs	Rs	Rs	Rs
Non-current assets (net)		100.4		120.5
Current assets				
Inventory	5.3		5.9	
Receivables	2.1		2.4	
Cash	6.2		3.6	
		13.6		11.9
Total		114.0		132.4
Ordinary share capital (Rs.1 share)		25.0		25.0
Reserves		45.6		48.2
Amount payable after more than one year				
8% Debenture 2015		15.0		15.0
Bank loan		20.0		35.0
Payable due within one year		8.4		9.2
Total		114		132.4

Calculate the following ratios for HHH Company for 2010 and 2011, clearly showing your working.

- A) Return on capital employed based upon closing capital employed
- B) Net profit margin
- C) Asset turnover
- D) Current ratio

Q. The following is an extract from the statement of financial position of Alif Ltd

Net Assets	Rs 114,000/-
10% debentures (2015)	Rs (20,000/-)

Total	Rs 94,000/-

Ordinary shares	Rs 60,000/-
Reserves	Rs 34,000/-

Total	Rs 94,000/-

The profit from operations before interest and taxation for the year is Rs 37,000/- and taxation payable amount to Rs 9,000/-.

Required:

- A) What is the interest cover?**
- B) What is the Return on Equity?**
