

ISQ Examination (Winter-2012) Project Financing – Associateship

- Q. Discuss the key steps in market and demand analysis.
- Q. What are the broad types of materials and inputs? What questions would you raise in assessing whether the material and input requirements of the project would be reasonably met?
- Q. Discuss the key business considerations relevant for a project financing decision.
- Q. A condensed balance sheet and other financial data for Unicorn Company appear below.

Unicorn Company Balance Sheet Dec. 31, 2010

ASSETS

Current Assets	Rs 100,000
Plant assets	Rs 150,000
Total assets	Rs 250,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	Rs 100,000
Long-term liabilities	Rs 75,000
Total Liabilities	Rs 175,000
Stockholders' equity	Rs 75,000
Total Liabilities and stockholders' equity	Rs 250,000

Income statement data appear below:

Net sales	Rs 375,000
Interest expense	Rs 4,000
Net income	Rs 22,500

The following account balances existed at December 31, 2009:

Total assets	Rs 200,000
Stockholders' equity	Rs 65,000

The tax rate is 35 percent . Industry norms as of December 31, 2010, are:

Debt/equity ratio	1.75
Profit margin	0.12
Return on total assets	0.15
Return on stockholders' equity	0.30
Total asset turnover	1.71

Calculate and evaluate the following ratios for Unicorn Company as of December 2010:

- A) Debt/equity ratio
- B) Profit margin
- C) Return on total assets
- D) Return on stockholders' equity
- E) Total asset turnover

Show your working

- Q. In its 2009 Development Effectiveness Review, the Asian Development Bank has held Pakistan responsible for unsatisfactory project performance and failure to achieve completion targets.
- a. State atleast FIVE general reasons for a project failure.
 - b. In your opinion, what could be the reasons for project failure in Pakistan?
 - c. What remedial measures are taken by bankers to minimize a project failure.
