THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Winter-2010)
MANAGEMENT ACCOUNTING FOR FINANCIAL SERVICES

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

Q.2 Standard costs for Waqar Corporation are listed below:

direct materials price	Rs.10 per pound
direct material efficiency	3 pounds per unit
direct labor price	Rs.12 per direct labor hour
direct labor efficiency	4 direct labor hours
variable factory overhead	Rs.2.20 per direct labor hour
fixed factory overhead application rate	Rs.5 per direct labor hour

What is the total standard cost per unit?

A) Rs.106.80 B) Rs.114.40
C) Rs.122.60 D) Rs.128.20

Show your working on the provided space.

Q.3 Mr. Asif Ali has applied for a Rs. 1,000,000 loan from Prudential Bank. He is a long-time customer and the manager is willing to lend him the amount for three months. He will charge Mr. Asif Ali at the rate of KIBOR plus 0.125% default premium and 0.25% as profit margin. If Mr. Asif Ali gets the loan today what is the total amount he will return to the bank after three months? (Today's KIBOR rate for three months is 8.68%).

Q.4 A small retailer has borrowed Rs. 20,000 from a friend at 12% simple interest. He has promised to return the amount in four equal installments. Each installment will consist of the payment of principal plus the amount due for the period. Please show the retailer's schedule of payment:

Q.5 Samina's Fashion Store has the following sales data available on July 1, 2008:

May	Rs 300,000	actual
June	Rs 290,000	actual
July	Rs 310,000	estimated
August	Rs 288,000	estimated
September	Rs 300,000	estimated
October	Rs 320,000	estimated
November	Rs 340,000	estimated

The store sells all merchandise on account with the following collection pattern:

60% in the month of sale
30% in the following month
9% in the second month following sale
1% uncollected

Inventory levels in units at the end of each month should be equal to the next one and a half months' sales. The average gross margin is 30%, and all purchases are paid in the month following the month of purchase. Other expenses are as follows:

Fixed	**Rs 50,000 per month which includes Rs 14,000 of depreciation**
Variable	**10% of gross sales dollars**

All expenses are paid in the month incurred

The balance sheet as of June 30, 2008 is as follows:

Cash	**Rs 110,000**
Accounts receivable (net of allowance for uncollectible)	**Rs 138,450**
Inventory	**Rs 295,750**
Fixed assets (net of accumulated depreciation)	**Rs 390,000**

Total assets	**Rs 934,200**
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Accounts payable (inventory purchase)	**Rs 194,350**
Common stock	**Rs 260,000**
Retained earnings	**Rs 479,850**

Total liabilities and stockholders' equity	**Rs 934,200**
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Required:

Prepare a schedule of cash collections for the third quarter of 2008
Prepare a schedule of inventory purchases in dollars for the third quarter
Prepare a cash budget for the third quarter
Prepare a budgeted (pro forma) income statement for the third quarter

Q.6 Fill in the missing for each of the three companies, A, B and C. Use the s below for your calculations. Each company is independent of each other.

	Company A	Company B	Company C
	Rs	Rs	Rs
Sales	108,000	?	120,000
Finished goods being inventory	14,000	?	30,000
Cost of goods manufactured	38,000	80,000	?
Finished goods End inventory	?	36,000	42,000
Cost of goods sold	40,000	74,000	?
Gross profit	?	85,000	?
Operating expense	30,000	?	46,000
Net Income	?	50,000	?
WIP, Begin inventory	?	21,000	24,000
Director Labour	14,000	30,000	42,000
Raw materials used	13,000	18,000	34,000
Manufacturing overhead	16,000	24,000	30,000
WIP, ending inventory	18,000	?	60,000

Q.7 Mustaqbil Corporation is evaluating three investment opportunities. The net cash flow for each investment is estimated as follows:

	Investment Projects		
Year	1	2	3
1	90,000	60,000	50,000
2	90,000	60,000	50,000
3	90,000	60,000	50,000
4		60,000	50,000
5		60,000	50,000
6			50,000
7			50,000
8			50,000
Initial Cost	212,508	227,448	217,180

Mustaqbil's cost of capital is 12%.
Annuity table at 12%.

Period	Discount Factor
1	0.0929
2	1.6901
3	2.4018
4	3.0373
5	3.6048
6	4.1114
7	4.5638
8	4.9676

Required:

A) Compute the payback period for each investment
B) What is the net present value for each investment?
C) What is the profitability index for each investment?
D) If Mustaqbil have only $ 230,000 to invest, based on the available information, which project should they pursue?

Q.8 The manager of Premier Bank is contemplating a Rs. 3,000,000 line of credit to one of his regular customers, Al Hamd Traders. Based on the services that he has previously provided to Al Hamd, he has calculated that he earned a revenue of Rs. 300,000 from them and it cost him Rs. 125,000 to provide these services. The manager knows that of the Rs. 3,000,000 that he loans to Al Hamd, they will be required to keep a 20% balance of the loaned amount with Premier Bank. What kind of return does the manager expect from offering lending services to Al Hamd?

Q.9 **Dilawar Associates has a budgeted normal monthly capacity of 10,000 labor hours, with a standard production of 8,000 units at this capacity. Standard costs are:**

Materials	**2 kilograms @ Rs. 50**
Labor	**Rs. 9 per hour**
Factory overhead at normal capacity	
Fixed	**Rs. 50,000**
Variable	**Rs. 15 per labor hour**

During the month of March 2005, 9,000 labor hours used at a cost of Rs. 76,500. During the month 7,000 units were produced using 14,400 kg of materials at a cost of Rs. 51 per kg.

Required:
Compute variances for direct materials and direct labor.

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