



CANDIDATE DETAILS			
Access Number	Roll Number	For Official Use Only	Serial Number
Subject FINANCIAL PLANNING AND BUDGETING			
Candidate's Name			
Father's Name			
CNIC Number			
Cell Number		E-mail	
I verify that my particulars given above are correct and I declare that I have read the INSTRUCTIONS printed in the examination booklet, and/ or given in the ISQ Examination Guidelines, violation of which would mean cancellation of my paper and debarment from appearing in future examinations.			
Candidate's Signature		Invigilator's Signature	



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The Institute of Bankers Pakistan

ISQ Examination Winter - 2018 AIBP Financial Planning and Budgeting

SEAL
BOOK
HERE

Section 2
Subjective Questions

Number of Questions: 5
Marks: 40

Allotted time (Objective and
Subjective): 3 hours



INSTRUCTIONS FOR THE CANDIDATE

1. The candidate must abide by the ISQ Examination Guidelines sent along with the admit card.
2. The candidate must sign the booklet after verifying the particulars and should **NOT** write his/ her name or roll number etc. on any other page of the examination booklet.
3. The candidate is advised **NOT** to approach the invigilators for seeking any explanation related to the questions in the examination paper.
4. Laptops, mobile phones or any other gadgets are **NOT** permitted in the examination hall. **ONLY** non-programmable scientific calculator is allowed. If any candidate is found in possession of any restricted gadgets or items, his/ her examination paper will be cancelled immediately.
5. The candidate must ensure that the examination booklet has all the pages duly numbered. If any page is missing, damaged or not numbered, then return the booklet to the superintendent/ invigilator and obtain another booklet.
6. Write your answer **ONLY** in the given space for each question. Anything written outside the given space will not be considered for marking.
7. **ONLY** blue or black ball points are to be used.
8. The candidate must attempt **ALL** questions in the paper.

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Marks Obtained	Q.1	Q.2	Q.3	Q.4	Q.5	Total Marks	Total in words
Marker - I							
Q.C							
Scrutiny							
Re-Scrutiny							
Marker- II							

Signatures:

1. Marker - I

2. QC

3. Scrutinizer

4. Re-Scrutinizer

5. Marker - II



Q4. XYZ industries has a beta of 1.45. The risk free rate is 8% and expected return on the market portfolio is 13%. The company presently pays dividend at the rate of Rs. 2 per share and investors expect it to experience a growth in dividend of 10% per annum.

Required:

A. Determine the stock's required rate of return for XYZ. (1 Mark)

B. Determine the XYZ's shares present market value, considering the required return in part A. (2 Marks)

C. What would happen to the required rate of return and to market price per share if the beta is 0.8? (all other things remain the same) (2 Marks)

Q5. The ABC Company is evaluating following three investment scenarios:

- (1) Produce a new line of iron blades
- (2) Expand its existing blades line to include several new sizes and
- (3) Develop a new, higher quality of blade

The expected present values and the amount of investment required are given below:

Project	Investment Required (Rupees)	Present Value of Future Cash flows (Rupees)
1	200,000	290,000
2	115,000	185,000
3	270,000	400,000

Other Information

- If project 1 and project 2 are jointly undertaken, there will be no economies of scale; the investment required and present values of both the projects would remain same.
- With project 1 and project 3, economies are possible in investment because machines acquired can be used in both production processes. The total investment required for project 1 and project 3 combined is Rs. 440,000.
- If project 2 and project 3 are undertaken, there are economies to be achieved in marketing and producing the project but not in investment. The expected present values of future cash flows for project 2 and project 3 combined is Rs. 620,000.
- If all three projects are undertaken simultaneously, the above economies of scale will still hold. However, Rs. 95,000 would be spent on extension of space as presently space is not sufficient for undertaking all the three projects simultaneously.

Required:

Which project or projects should be chosen? Give all necessary calculations. (10 Marks)



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