



The Institute of  
Bankers Pakistan

**Time Allowed: 3 Hours**

**Maximum Marks: 100**

**Financial Planning and Budgeting**

**Date: December 20, 2023**

**AIBP (Core Subject)**

**Roll No:**

**Instructions:**

- Attempt ALL questions;
- Answers must be neat, relevant and brief;
- In marking the answer sheet, the examiners take into account clarity of exposition, logic of arguments, presentation and language;
- Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper;
- DO NOT write your Name, Access No. or Roll No. etc. anywhere inside the answer script(s);
- Candidates are advised not to mark any of the objective answer on the Question Paper, otherwise their paper will be cancelled;
- Question Paper must be returned to invigilator before leaving the examination hall;
- Ensure that you shade your choice on the Optical Mark Reader sheet correctly. Only **ONE** circle must be shaded as shown below:

**Correct way**       A    B    C    D   (Choice B is selected)

**Incorrect ways**       A    B    C    D

**SECTION B: SUBJECTIVE**

**Attempt ALL Questions.**

**(40 Marks)**

**Q2.** Following is the data of ABC company:

**(Marks 08)**

Particulars	---Rupees in millions---
Cash and Marketable securities	150
Fixed Assets	383.5
Sales	1,500
Net Income	80
Current Liabilities	150
Current Ratio	3:1
Days Sales Outstanding (DSO)	41 days
Return On Equity (ROE)	12%

\* **Figures are rounded off up to one decimal place**

\*\* **Assume 365-days in a year**

Compute the following:

**A.** Account Receivables

**B.** Current Assets

**C.** Current Assets other than Cash and Marketable Securities and Account Receivables

**D.** Return On Assets (ROA)



**Q3.** Royal Ltd. most recently sold 100,000 units at Rs. 37.50 each; its variable operating costs are Rs. 15 per unit and its fixed operating costs are Rs. 1,250,000. Annual interest expenses are Rs. 400,000 and the company has 40,000 preferred shares outstanding. The company is required to pay dividend on preference shares amounting to Rs. 200,000. The Company's paid-up capital comprised of 100,000 ordinary shares. Assume that the company has a 40% tax rate.

**Required:**

**A.** What is the breakeven point in units? **(03 Marks)**

**B.** Calculate the company's earnings per share (EPS) at the current level of sales and at 120,000 unit sales level. **(07 Marks)**

**Q4.** Farhan Foods Ltd. practices a strict residual dividend policy and maintains a capital structure of 60% debt, 40% equity. Earnings after interest and tax for the year are Rs. 2,500,000.

**Required:**

**A.** What is the maximum amount of capital expenditures possible without raising new equity? **(03 marks)**

**B.** Suppose that planned investment outlays for the coming year are Rs. 4,000,000. Will Farhan Foods Ltd. be paying a dividend? If so, how much? **(02 marks)**

**Q5.** In the light of the Interest Rate Risk Management Guidelines by SBP, what is the function of interest rate risk measurement system in relation to both earnings and economic values that are consistent with the scope of bank's activities? Any FOUR. **(06 Marks)**

**Q6.** A company has a debt-to-equity ratio of 1.5 and an interest coverage ratio of 3. The company decides to take on additional debt at the same interest rate as of previous debt, which increases its debt-to-equity ratio to 2.5. Calculate the new interest coverage ratio assuming there is no change in the profitability of the company other than the debt and its interest and analyze what the result indicates about the company's financial risk. **(06 marks)**

**Q7.** Discuss any **FIVE** factors which influence the decision on how much of a company's profit should be retained, and how much paid out to the shareholders. **(05 marks)**

**X ——— END OF PAPER ——— X**