Q.1

Anabi Bank Limited (a Middle East bank having branch in Pakistan) has outstanding loans of Rs. 8.511 million out of which, Rs. 1.258 million are on non-performing status.

Loans and advances include Bill discounted and purchase of Rs. 2.233 million out which 1.752 million are payable out side Pakistan. The remaining advances represent Loans, Cash Credits etc.

Overall analysis of the loan book shows that advances of Rs. 951 thousand are in foreign currency and loans of Rs. 5.934 million are of short-term nature i.e. payable within one year.

The detail of non-performing loans is as follows:

	Outstanding	**Provision held**
	(Rs. '000')	
Other Asset Especially Mentioned (OAEM)	377	-
Substandard	277	48
Doubtful	151	54
Loss	453	230
	1,258	332

Charge for the year of provision for doubtful advances is Rs. 65 thousand is against specific Loans and the rest is for general advances. Similarly the reversal in the provision is Rs. 54 thousand from Specific provision and 71 thousand against general provision.

The opening balance is Rs. 95 thousand and 182 thousand for specific and general provisions respectively.

Required:

You are required to:

Give the necessary disclosure based on the above information in the financial statements of Anabi Bank Limited. **(05)**

Q.2

With respect to a commercial bank, duly incorporated as a public limited company, engaged in promoting Islamic banking products like 'modarabas', 'ijaras' and also investment banking, draft following accounting policies after taking into account relevant requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, the directives issued by the State Bank of Pakistan and the International Accounting Standards:

(a) Revenue recognition. **(02)**

(b) Financing. **(02)**

(c) Investments. **(04)**

(d) Sales and Purchase agreements. **(02)**

Q.3

Following are extracts from the draft financial statements of three different leasing companies as at June 30, 2002:

	(Rs. in 000s)		
	A Ltd	**B Ltd**	**C Ltd**
Paid up share capital	200,000	200,000	200,000
Statutory reserve	175,000	225,000	205,000
Unappropriated profit from previous year	25,000	25,000	45,000
	400,000	450,000	450,000

Further information:

(a) Profit after tax for the year to June 30, 2003 for each company was as follows: A Ltd Rs 25 million; B Ltd Rs 30 million; and C Ltd Rs 40 million.

(b) Statutory reserve represents amounts set-aside in previous years as required by Prudential Regulations applicable to leasing business. Set-aside the amount for statutory reserve from the profit after tax for the year for each company in accordance with the above Prudential Regulations.

(c) The board of directors of these leasing companies approved the following:
A Ltd: 10% cash dividend
B Ltd: 10% cash dividend
C Ltd: 20% bonus shares

Required:
Redraft the above extracts after incorporating the adjustments required in view of further information. **(09)**

Q.4

(a) IAS 26 'Accounting and Reporting by Retirement Benefit Plans' mentions two retirement benefit plans. Briefly explain the same. **(04)**

(b) Paragraph 45 of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' states that where the effect of the time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. Paragraph 59 of the said IAS further states that provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Required:
Prepare a journal entry for increase of Rs. 50,000 in the carrying amount of provision to reflect the effect of passage of time under IAS 37. **(03)**

(c) Which of the following are a component of cost in the initial measurement of property, plant and equipment under IAS 16:
(i) Sales tax.
(ii) Start up and pre-production cost.

(iii) Initial losses before achieving planned performance of the asset.
(iv) Abnormal wastage of material and labour while manufacturing the asset.
(v) Government grant received for an asset.
(vi) Dismantling and restoration costs. **(03)**

Q.5
Pearl Bank Limited has local currency deposits of Rs.1,300 million which includes remunerative deposits from financial institutions of Rs.400 million as at 31st December 2004. It also has foreign currency deposits of Rs.200 million. Deposits from customers, other than financial institutions, are fixed, savings and current deposits of Rs.100 million, Rs.700 million and Rs.300 million respectively. Included in the above deposits are deposits from individuals Rs.300 million, business and professionals Rs.250 million, textile companies Rs.400 million, pharmaceutical companies Rs.100 million and others Rs.50 million.

Required:
You are required to give necessary disclosures in the financial statements of Pearl Bank on the basis of above information in line with those under the Banking Companies Ordinance, 1962. **(10)**

Q.6
Following is the trial balance of Executive Bank Limited as at June 30, 2005:

Trial Balance

	Dr.	**Cr.**
	Rs. in '000'	
Cash in hand - local currency	167,800	
- foreign currency	257,000	
Current account # 23512 with SBP	480,000	
Current accounts in \$, ~ and € with SBP	360,000	
Deposit account in \$ with Central Bank of Oman	35,000	
Current account with United Bank Limited, Karachi	73,000	
Current account with National Bank of Pakistan	100,000	
Deposit account with Citibank New York	837,000	
Investment in COIs of NBFIs	200,000	
Lending to NBFIs under Reverse Repo	935,000	
Treasury bills	500,000	
Investments in subsidiaries	200,000	
Ordinary shares of listed companies	7,000	
Term finance certificates	75,000	
Advances	3,500,000	
Miscellaneous current assets	150,000	
Fixed assets	1,245,000	
Surplus on revaluation of fixed assets		120,000

Deferred tax	27,000	
Bills payable		300,000
Borrowing from SBP under export re-finance		175,000
Overdrawn nostro accounts - unsecured		71,000
Borrowing under repo with local banks		275,000
Deposits from customers - fixed		1,200,000
- savings		2,600,000
- current		350,000
- miscellaneous		182,450
Payable to a leasing company under finance lease		46,000
Payable to a leasing company under operating lease		2,000
Payable to suppliers		2,000
Withholding tax payable		350
Markup payable		175,000
Share capital		1,200,000
General reserves		1,500,000
Reserve for issue of bonus shares		150,000
Statutory reserve		800,000
	9,148,800	9,148,800

Following further information is available:

1. 30% of investment in treasury bills have been given as collateral.
2. Investment in ordinary shares is primarily used for trading on stock exchange.
3. 40% TFCs will mature in January 2006 whereas the rest will mature in January 2007. However the bank intends to dispose all of them in January 2006.

Required:
Prepare the balance sheet of the bank as at June 30, 2005 alongwith the following notes to the extent the information is available, in accordance with the laws applicable in Pakistan:

- Cash and bank balances
- Investments (investment by segments are not required)
- Borrowings from financial institutions **(15)**

Q.7
Following are some of the balances which have been extracted from the trial balance of EZ General Insurance Company Limited for the year ended December 31, 2005:

	Rs. In '000'	
	Dr.	**Cr.**
Premium receivable	17,000	
Accrued income	300	
Prepayments	2,400	

Premium received in advance		3,523
Amounts due to other insurers/re-insurers		3,891
Accrued expenses		765
Other creditors and accruals		7,631
Retained earnings		4,630
Other revenue reserves		8,300
Premiums written during the year		74,471
Unearned premium reserve – opening		27,700
Reinsurance expense (after adjusting prepayments)	27,058	
Claims paid	43,706	
Outstanding claims – opening		4,354
Reinsurance recoveries against claims (after all adjustments)		14,751
Commissions paid	7,549	
Unpaid commissions – opening		4,360
Commissions from re-insurers		11,919
Management expenses	6,986	
General and administration expenses	6,678	
Investment income		6,521
Rental income		124
Other income		2,891

Further breakdown of some of the above figures is as follows:

	Rs. in '000'			
	Fire	**Marine**	**Motor**	**Misc.**
Premiums written during the year	27,386	15,645	21,568	9,872
Unearned premium reserve – opening	11,200	1,200	10,500	4,800
Reinsurance expense (after adjusting prepayments)	11,567	6,781	4,587	4,123
Claims paid	18,567	4,567	16,897	3,675
Outstanding claims – opening	1,254	875	1,567	658
Reinsurance recoveries against claims (after all adjustments)	7,894	1,852	3,423	1,582
Commissions paid	2,854	1,857	1,785	1,053
Unpaid commissions – opening	1,750	510	1,700	400
Commissions from re-insurers	5,405	2,975	1,587	1,952

Following additional information is available:

(i) The unearned premium reserve as at December 31, 2005 calculated in accordance with the rules shall be as under:

	Rs. in '000'
Fire	12,300

Marine	890
Motor	11,300
Miscellaneous	4,650

(ii) Provision for unpaid claims and claims incurred but not reported at the date of balance sheet are estimated as under:

	Rs. in '000'
Fire	1,680
Marine	610
Motor	1,800
Miscellaneous	450

(iii) Commission due to agents, as on December 31, 2005 was as follows:

	Rs. in '000'
Fire	1,560
Marine	820
Motor	1,850
Miscellaneous	580

(iv) Management expenses represent those expenses which are attributable to underwriting business. These are to be allocated to various classes of business on the basis of premium earned during the year.

(v) Expenses not allocable to underwriting business are charged as general and administrative expense.

(vi) For the purpose of tax provision, rate of tax is to be assumed at 35%.

Required:

Draw up the Profit and Loss Account of EZ General Insurance Company Limited for the year 2005. Notes to the accounts are not required, however appropriate workings should be prepared. **(14)**

Q.8

TMP Trust Fund is an open ended mutual fund, listed on Lahore Stock Exchange. Units are offered for public subscription on a continuous basis and can be redeemed by surrendering them to the fund.

Following financial information is available for the year ended June 30, 2006:

1. During the year, the fund received amounts of Rs. 210,290,408 (2005: Rs. 152,870,421) against issuance of 1,546,253 units (2005: 1,377,211 units). The issued units include bonus units issued to unit holders.
2. 1,434,644 units (2005: 1,213,560 units) were redeemed during the year against which an amount of Rs. 194,394,262 (2005: Rs. 133,491,600) was paid / payable by the fund.
3. Undistributed income brought forward from previous year is Rs. 5,638,924.

4. It is the policy of the fund to recognize the distribution of cash dividend and bonus in the year in which it is declared. The fund has announced at the year end, bonus units of 15% (2005: 10%) and 10% cash dividend (2005: Nil).
5. No cash dividend or bonus has been distributed prior to June 30, 2005.
6. Net income of the fund is Rs. 15,532,600 (2005: Rs. 8,511,744).
7. The element of income and capital gains included in prices of units sold less those in units redeemed representing accrued income and realized capital gains, amounted to Rs. 1,536,360 (2005: Rs. 965,458). This amount was transferred to profit and loss account.
8. The value of net assets at the beginning of the year was Rs. 39,674,912.
9. 550,215 units of Rs. 100 each are outstanding as at June 30, 2006.

Required:
Prepare the following statements of TMP Trust Fund for the year ended June 30, 2006 and 2005:

(i) Distribution Statement
(ii) Statement of movement in unit holders' funds. **(15)**

Q.9
Naran Bank Limited is a listed banking company which has 107 branches all over Pakistan and 2 overseas branches. Total advances by the bank at the end of the year 2006 amounted to Rs 75,350 million (2005: Rs 65,440 million). These include Rs 3,655 million (2005: Rs 2,373 million) placed under non performing status in accordance with the Prudential Regulations issued by State Bank of Pakistan. Details of classified advances and the provisions there against are as follows:

				Rupees in Million
Category of Classification	**Classified Advances**		**Provision Required / Made**	
	2006	**2005**	**2006**	**2005**
Other Assets Especially Mentioned	3	2	-	-
Substandard	107	70	22	46
Doubtful	103	67	47	53
Loss	3,442	2,234	2,607	1,312

An additional provision of Rs 64 million was made during the year pursuant to the State Bank of Pakistan's advice. The 'Loss' category includes advances of Rs 25 million (2005: Rs 23 million) relating to overseas operations of the bank. The required provision of Rs 8 million (2005: Rs 7 million) has been made against such advances.

	Rupees in Million	
	2006	**2005**
Opening balance	1,411	944
Charge for the year (net of reversal)	1,331	467
Amounts written off during the year	(2)	-
	2,740	**1,411**

In addition to the above, the bank has made the following provisions:

(i) During the year a general provision of Rs 121 million (2005: Rs 107 million) was made against consumer financing in accordance with the requirements of the Prudential Regulations (1.5% of secured financing and 5% of unsecured financing). However, no amount had been written off. The opening balance of provision against consumer financing as on January 1, 2006 amounted to Rs 242 million.

(ii) It is the bank's policy to make a general provision in addition to the amount determined under Prudential Regulations. Such provision is based on the judgment of the bank. The general provision as on January 1, 2006 was Rs 765 million. However, there was a net reversal of provision for the year 2006 amounting to Rs 47 million. In 2005, a net provision of Rs 65 million was made.

Required:

Prepare appropriate notes to the financial statements for the years 2005 and 2006 giving disclosures related to provisions made by the bank in accordance with the guidelines issued by State Bank of Pakistan. **(15)**

Q.10

Momin Life Insurance Company Ltd. is engaged in individual life insurance business. The company has established a statutory fund i.e. Investment Linked Business Fund, to meet the requirement of the Insurance Ordinance, 2000. The following information is available for the year ended October 31, 2007:

(i) The outstanding Balance of Investment Linked Business Fund as on November 1, 2006 amounted to Rs. 286,780 thousand which represents the following:

	Rs. in '000'
Retained earning on other than participating business	78,719
Policyholders' liabilities	208,061

(i) The company received dividend amounting to Rs. 52,700 thousand and interest on government securities amounting to Rs. 65,000 thousand.

(ii) Rs. 183,450 thousand was received as premium against which an amount of Rs. 11,500 thousand was paid to re-insurance companies.

(iii) Claims amounting to Rs. 173,500 thousand were paid during the year. The company was able to recover Rs. 17,900 thousand from its re-insurance arrangements.

(iv) During the year, the company paid Rs. 54,200 thousand on account of management expenses.

(v) The company has not incorporated the following adjustments in its record:

	Rs. in 000'
Claims admitted but not paid by the company	9,300
Management expenses due	2,000
Accrued interest	19,300
Premium outstanding	12,000

(vi) The liabilities of policyholders as at October 31, 2007 were Rs. 249,673 thousand.

(vii) The Board of Directors has approved the transfer of Rs. 10,450 thousand to Shareholders' Fund.

Required:
Prepare the revenue account for the year ended October 31, 2007. Ignore the comparative figures. **(15)**

Q.11
SOGO Limited operates an approved funded gratuity scheme for all its employees. Benefits under the scheme become vested after 5 years of service. No benefit is payable to an employee if he leaves before 5 years of service. A total of 752 employees were eligible for the benefits under the fund as of December 31, 2007.

Following is the trial balance of the Fund as of June 30, 2007:

	Debit	**Credit**
	Amounts in Rupees	
Cash at bank - current account	17,930,120	
Receivable from SOGO Limited	1,147,150	
Defence Savings Certificate	102,133,664	
Term Finance Certificates	11,832,089	
Term Deposits	6,414,058	
Investment – SUN Limited	17,594,893	
Investment – PEACE Company Limited	587,169	
Investment - NIT Units	16,911,510	
Due to outgoing members		4,301,017
Accrued expenses		3,822
Withholding tax payable		61,251
Members Fund		142,472,122
Profit on investments		23,389,251
Dividend income		2,696,399
Contribution for the year		10,623,106
Transferred / paid to outgoing members	12,432,973	
Bank charges	3,342	
Audit fee	10,000	
Liabilities no more payable		3,450,000
	186,996,968	**186,996,968**

Following are the details of investments and income thereon:

	Balance as at July 01, 2006	**During the year 2007**			
		Addition	**Profit / interest accrued**	**Principal realized**	**Profit / interest realized**
Government Securities					
Defence Savings Certificate	87,812,855	-	21,376,809	(1,600,000)	(5,456,000)

Unlisted Securities and deposits					
Term Finance Certificates	19,943,656	5,000,000	1,655,223	(12,873,068)	(1,893,722)
Term Deposits	11,584,631	-	357,219	(5,300,000)	(227,792)
Listed Securities					
SUN Limited	8,220,957	9,373,936	-	-	-
PEACE Limited	587,169	-	-	-	-
NIT Units	16,911,510	-	-	-	-

The following gains/(losses) on restatement of investments at their fair values, have not been accounted for:

	Rupees
SUN Limited	(784,518)
PEACE Limited	317,728
NIT Units	4,026,551

Required:
Prepare the following in accordance with the requirements of International Accounting Standards:
(a) Statement of Net Assets Available for Benefits alongwith the note on investments.
(b) Statement of changes in Net Assets Available for Benefits. **(15)**

Q.12
Blue-chip Asset Management Limited is in the process of finalizing the financial statements of one of its open ended mutual fund. Following information is available from the Fund's records;

	Rs. in "000"
Net assets - opening balance	350,050
Net income for the year	65,325
765,900 units issued during the year against	85,015
717,480 units redeemed during the year against	77,488

The par value of each unit is Rs. 100.
Required:
Prepare the statement of movement in unit holders' Fund for the year ended June 30, 2008. **(10)**

Q.13
Violet Power Limited is running a coal based power project in Pakistan. The Company has built its plant in an area which contains large reserves of coal. The company has signed a 20 years agreement for sale of power to the Government. The period of the agreement covers a significant portion of the useful life of the plant. The company is liable to restore the site by dismantling and removing the plant and associated facilities on the expiry of the agreement.

Following relevant information is available:

(i) The plant commenced its production on July 1, 2007. It is the policy of the company to measure the related assets using the cost model;

(ii) Initial cost of plant was Rs. 6,570 million including erection, installation and borrowing costs but does not include any decommissioning cost;

(iii) Residual value of the plant is estimated at Rs. 320 million;

(i) Initial estimate of amount required for dismantling of plant, at the time of installation of plant was Rs. 780 million. However, such estimate was reviewed as of June 30, 2008 and was revised to Rs. 1,021 million;

(ii) The Company follows straight line method of depreciation; and

(iii) Real risk-free interest rate prevailing in the market was 8% per annum when initial estimates of decommissioning costs were made. However, at the end of the year such rate has dropped to 6% per annum.

Required:
Work out the carrying value of plant and decommissioning liability as of June 30, 2008. **(08)**

Q.14
Akmal General Insurance Limited (AGIL) is engaged in general insurance business. The following information is available for the year ended December 31, 2008:

(i) During the year, AGIL earned direct and facultative premiums of Rs. 5,586,382 thousand against which it incurred reinsurance expense amounting to Rs. 2,076,499 thousand. Details of premium earned and reinsurance expenses are as follows:

	Fire & Property Damage	Marine, Aviation &Transport	Motor	Misc.
	Rupees in thousand			
Premiums	1,905,027	883,942	2,495,120	302,293
Reinsurance expense	1,520,962	300,605	4,671	250,261

(ii) The outstanding balance of unearned premium reserve and prepaid reinsurance premium ceded were as follows:

	Fire & Property Damage	Marine, Aviation & Transport	Motor	Misc.
		Rupees in thousand		
Balances as of December 31, 2008				
Unearned premium reserve	1,014,552	174,780	1,053,094	152,911
Prepaid reinsurance premium ceded	741,934	93,702	311	122,866

Balances as of December 31, 2007				
Unearned premium reserve	844,425	159,844	1,191,933	133,424
Prepaid reinsurance premium ceded	726,800	59,098	-	114,190

(iii) Premium received under the treaty arrangements (proportional) amounted to Rs. 167,108 thousand. The outstanding balance of unearned premiums reserve relating to treaty arrangement as of December 31, 2008 was Rs. 56,128 thousand (2007: Rs. 61,303 thousand).

Required:
Prepare the statement of premiums for the year ended December 31, 2008. Ignore the corresponding figures. **(10)**

Q.15
Lateef Bank Limited (LBL) is listed on Karachi and Lahore Stock Exchanges and has 150 branches including 10 overseas branches. The LBL's lending to financial institutions as of September 30, 2009 comprised of the following:

(i) Call money lending at year end amounted to Rs. 850 million (2008: Rs. 1,200 million). The markup on these unsecured lendings ranged between 15% to 17% (2008: 10% to 12%) and they matured on various dates, in October 2009.

(ii) Short term lending on account of repurchase agreement (reverse repo) amounted to Rs. 2,100 million (2008: Rs. 2,850 million). These carried markup ranging from 9.5% to 13.2% (2008: 8% to 10.5%) and matured on various dates, in October 2009. These were secured against Market Treasury Bills of Rs. 1,650 million (2008: Rs. 1,850 million) and Pakistan Investment Bonds of Rs. 450 million (2008: Rs. 1,000 million). The market value of these securities held as collateral, on September 30, 2009, amounted to Rs. 2,250 million (2008: Rs. 2,930 million).

The above amounts include lendings in foreign currencies amounting to Rs. 110 million (2008: Rs. 150 million).

Required:
Prepare a note on "Lendings to Financial Institutions" for inclusion in LBL's financial statements for the year ended September 30, 2009 giving appropriate disclosures in accordance with the guidelines issued by State Bank of Pakistan. **(12)**

Q.16
Secured Bank Limited (SBL) is listed on all the Stock Exchanges in Pakistan. The cost of various types of Investments held by the bank as of December 31, 2009 are as follows:

	2009	**2008**
	Rupees in Million	
Market treasury bills	366	309
Pakistan investment bonds	69	61
Government of Pakistan bonds (USD/Euro)	26	30

Investments in associates	9	8
Fully paid-up ordinary shares – listed	6	5
Fully paid-up ordinary shares – unlisted2	3	
Corporate debt instruments – listed	19	30
Corporate debt instruments – unlisted	260	210
Investments of mutual funds	32	28
Overseas government securities	60	52
Other investments	19	29

Provision for diminution / impairment in the value of investments as at January 1, 2008 amounted to Rs. 28 million. Other information relevant to the provision is as under:

Impairment (reversal) / loss for the year	(6)	2
Charge for the year	17	12
Amounts written off during the year	5	3

Required:
Prepare a note on 'investments by segments' for inclusion in SBL's financial statements for the year ended December 31, 2009 giving appropriate disclosures in accordance with the guidelines issued by the State Bank of Pakistan. **(12)**

Q.17
Mahfooz General Insurance Limited (MGIL) is a listed company. The information pertaining to the business underwritten inside Pakistan for the year ended June 30, 2010 is as under:

	Direct and facultative				**Treaty**
	Fair & Property damage	**Marine, aviation & transport**	**Motor**	**Accident & health**	**Proportional**
	Rupees in Million				
Claims:					
Total claims paid	900	450	1,150	250	13
Outstanding – Opening	600	400	900	300	10
Outstanding – Closing	500	450	750	150	12
Reinsurance and other recoveries:					
Total received	600	300	850	160	-
Outstanding – Opening	500	300	700	150	-
Outstanding – Closing	350	400	550	80	-

Required:
Prepare a statement of claims for the year ended June 30, 2010 in accordance with the Insurance Ordinance, 2000. Ignore the comparative figures. ***(12 marks)***

Q.18
Al-Amin Bank Limited is listed on all the stock exchanges in Pakistan. At year end, the total advances amounted to Rs 75,000 million which include non-performing advances

of Rs. 5,000 million. The break-up of the non-performing advances and the provisions there-against is as under:

	Other assets Especially Mentioned	Sub-Standard	Doubtful	Loss	Total
Advances	100	660	840	3,400	5,000
Provisions required and held	5	120	530	3,345	4,000

The sub-standard category includes advances of Rs. 260 million pertaining to overseas operations of the bank. The required provision of Rs. 50 million has been made against such advances.

During the year the movement in the specific provision was as under:

	Rs. in million
Opening balance	3,320
Charge for the year	802
Reversals	(90)
Amounts written off	(50)
Exchange rate adjustment	18
Total	**4,000**

In addition to the above specific provisions, it is the bank's policy to make additional general provision based on the judgment of the bank. Opening balance for general provision was Rs. 65 million. During the year, the bank made provisions of Rs. 25 million and Rs. 15 million against consumer and agriculture advances respectively.

Required:
Prepare relevant notes on non-performing advances and provisions for inclusion in the financial statements of Al-Amin Bank Limited giving appropriate disclosure in accordance with the guidelines issued by the State Bank of Pakistan. (10 marks)

Q.19
Dee General Insurance Limited is a listed company. The following information relates to the year ended 31 December 2011:

	Direct and Facultative				
	Fire and property damage	**Marine, aviation and transport**	**Motor**	**Miscellaneous**	**Treaty Proportional**
			Rs. in million		
Commissions:					

Paid / payable	321.41	126.87	215.00	90.94	0.30
Deferred: opening	148.79	11.31	128.50	38.59	-
Deferred: closing	160.43	5.68	114.23	35.17	-
Receipts from reinsurers	270.44	5.70	12.72	82.40	-
Net premium earned	907.75	768.70	2,745.64	948.48	0.70

During the year, management expenses (other than commission) amounted to Rs. 978 million. These expenses are allocated on the basis of net premium earned.

Required:
Prepare a statement of expenses for inclusion in the financial statements for the year ended 31 December 2011. (Ignore comparative figures) (10 marks)

Q.20
Eagle Bank Limited (EBL) is listed on all the stock exchanges in Pakistan. At the year end, the total borrowings of the bank amounted to Rs. 29,761 million, which included borrowings outside Pakistan amounting to Rs. 11,712 million. Details of borrowings at the year-end were as follows:

(i) All local borrowings are in Pak Rupees.

(ii) Inter-bank call money borrowings amounted to Rs. 3,600 million. These borrowings were unsecured and carried mark-up ranging between 8.7% and 12.1% per annum.

(iii) EBL operates in several countries where it maintains nostro accounts. The overdrawn nostro accounts amounted to Rs. 456 million. Mark-up on overdrawn nostro accounts was charged by the foreign banks at the rates prevailing in the respective countries.

(iv) Outstanding loans from the State Bank of Pakistan (SBP) under the Export Refinance Scheme amounted to Rs. 14,182 million. These loans carried mark-up ranging between 9.7% and 11% per annum and were secured by EBL's cash and other securities held by SBP.

(v) The borrowings under repurchase agreements amounted to Rs. 11,523 million and carried mark-up ranging between 6.3% and 12.5% per annum. These borrowings are secured against government securities amounting to Rs. 24,802 million and are repayable latest by April 2013.

Required:
Prepare note on 'Borrowings' for inclusion in the Financial Statements of Eagle Bank Limited with appropriate disclosures in accordance with the State Bank of Pakistan guidelines. (10)