

PUNJAB PUBLIC SERVICE COMMISSION
COMBINED COMPETITIVE EXAMINATION FOR
RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE-2019

SUBJECT: BUSINESS ADMINISTRATION (PAPER-II)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

PART-I: MARKETING (50 MARKS)

NOTE: Attempt any FOUR Questions including Question No. 1 Which is Compulsory. Attempt in Urdu or English.

- Q No. 1:** Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts. **(20 Marks)**
- Q No. 2:** What is sustainable marketing? How social media is contributing towards enhancing awareness of sustainable marketing? **(10 Marks)**
- Q No. 3:** Define *product* and the three levels of product, discuss the brand development strategies marketers use to develop brands. **(10 Marks)**
- Q No. 4:** Explain how discounts and allowances differ from promotional pricing. Also discuss the impact of economy on a company's pricing strategies. **(10 Marks)**
- Q No. 5:** Discuss the role of personal selling in the promotion mix. In what situations is it more effective than advertising? **(10 Marks)**

PART-II: FINANCIAL MANAGEMENT (50 MARKS)

NOTE: Attempt any FOUR Questions including Question No. 6 Which is Compulsory. Use of Calculator is allowed. (Not Programmable) Attempt in Urdu or English.

- Q No. 6:** a) Financial ratio analysis is often divided into areas of liquidity, activity, debt, and profitability ratios. Differentiate each of these areas of analysis from the others.
- b) Complete the 2018 balance sheet for XYZ Industries using the information that follows it.

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XYZ Industries Balance Sheet December 31, 2018			
Assets	Amount (Rs.)	Liabilities and Stockholders' Equity	Amount (Rs.)
Cash	30,000	Accounts payable	120,000
Marketable securities	25,000	Notes payable	?
Accounts receivable	?	Accruals	20,000
Inventories	?	Total current liabilities	?
Total current assets	?	Long-term debt	?
Net fixed assets	?	Stockholders' equity	600,000
Total assets	?	Total liabilities and stockholders' equity	?

The following financial data for 2018 are also available:

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| (1) Sales totaled Rs.1,800,000. | (5) The average collection period was 40 days. |
| (2) The gross profit margin was 25%. | (6) The current ratio was 1.60. |
| (3) Inventory turnover was 6.0. | (7) The total asset turnover ratio was 1.20. |
| (4) There are 360 days in the year. | (8) The debt ratio was 60%. |

(10+10=20 Marks)

Q No. 7: a) What is meant by "the present value of a future amount"? What is the general equation for present value?

b) An Iowa state savings bond can be converted to \$100 at maturity 6 years from purchase. If the state bonds are to be competitive with U.S. Savings Bonds, which pay 8% annual interest (compounded annually), at what price must the state sell its bonds? Assume no cash payments on savings bonds prior to redemption.

(5 + 5=10 Marks)

Q No. 8: TOR most recently sold 100,000 units at Rs.7.50 each; its variable operating costs are Rs.3.00 per unit, and its fixed operating costs are Rs.250,000. Annual interest charges total Rs.80,000, and the firm has 8,000 shares of Rs.5 (annual dividend) preferred stock outstanding. It currently has 20,000 shares of common stock outstanding. Assume that the firm has a 40% tax rate.

- a) At what level of sales (in units) would the firm break even on operations (that is, earnings before interest and taxes (EBIT) = Rs.0)? Calculate the firm's earnings per share (EPS) at the current level of sales and at 120,000-unit sales level.
- b) Using the current Rs.750,000 level of sales as a base, calculate the firm's degree of operating leverage (DOL).

(5 + 5=10 Marks)

Q No. 9: a) XYZ Clothing Corporation could sell preferred stock with a dividend cost of 12 percent. If it were to sell bonds in the current market, the interest rate cost would be 14 percent. The company is in a 40 percent tax bracket. What is the after-tax cost of each of these methods of financing?

b) STU Milk Biscuits Corporation, holds a limited number of preferred stocks as investments. It is in a 40 percent tax bracket. If it were to invest in the preferred stock of XYZ Clothing Corporation what would be its after-tax return? What would be its after-tax return if it were to invest in the bonds?

(10 Marks)

Q No. 10: The current dividend of Bilal Company Ltd is Rs. 3 per share (common) and annual growth rate in dividends presently is 25 percent for first 2- years which is expected to fall to 20 percent for next 3 years. After that, it will become constant at 15 percent for indefinite period of time. The required rate of return on this common stock is 18 percent. Compute the intrinsic value per common share.

(10 Marks)