



PUNJAB PUBLIC SERVICE COMMISSION
COMBINED COMPETITIVE EXAMINATION
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE -2020

SUBJECT: BUSINESS ADMINISTRATION (PAPER-II)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE:

- i. All the parts (if any) of each Question must be attempted at one place instead of at different places.
- ii. Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.
- iii. No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- iv. Extra attempt of any question or any part of the question will not be considered.

PART - I: MARKETING (50 MARKS)

NOTE: Attempt any **FOUR** questions including **Question No. 1**, which is compulsory. Attempt in Urdu or English.

Question 1: "Companies must constantly monitor and manage the marketing environment in order to seek opportunities and ward off threats. It consists both of the micro and macro environment".

Distinguish between micro- and macro-environment of marketing and discuss how macro-environmental forces influence the company's ability to transact business effectively with its target market?

(Marks 20)

Question 2: "To create value for customers and build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Such insights come from good marketing information by conducting market research."

Define the term market research and briefly explain the steps involved in the marketing research process?

(Marks 10)

Question 3: "Each product has a life cycle marked by a changing set of problems and opportunities."

Describe the five stages of the product life cycle (PLC) and how marketing strategies change during the product life cycle (PLC)?

(Marks 10)

Question 4: "Modern marketing calls for more than just creating customer value by developing a good product and pricing it attractively but also by clearly and persuasively communicating that value to current and prospective customers."

Discuss the five promotion mix tools for communicating customer value that must blend to achieve this goal?

(Marks 10)

Question 5: "Customer value and relationships are at the center of marketing strategy and programs."

Discuss the four main steps in designing a customer-driven marketing strategy to serve its targeted customers, i.e. market segmentation, targeting, differentiation and positioning?

(Marks 10)

P.T.O

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.

Question 6: Briarcliff Stove Company is considering a new product line to supplement its range line. It is anticipated that the new product line will involve cash investment of Rs. 700,000 at time 0 and Rs. 1.0 million in year 1. After-tax cash inflows of Rs. 250,000 are expected in year 2, Rs. 300,000 in year 3, Rs. 350,000 in year 4 and Rs. 400,000 each year thereafter through year 10. Though the product line might be viable after year 10, the company prefers to be conservative and end all calculations at that time. (7.5+7.5 +5= 20 Marks)

- If the required rate of return is 15%, what is the NPV of the project? Is it acceptable?
- What is its internal rate of return? Is it acceptable if the required rate of return was 10%?
- What is the project's payback period? Would it be acceptable if the required payback period is 5 years?

Question 7: Silicon Wafer Company currently pays a dividend of Rs. 1 per share and has a share price of Rs. 20. The company has a beta of 1.45. The risk-free rate is 8% and the expected return on market portfolio is 13%. (3+4+3=10 Marks)

- If this dividend was expected to grow at 12% forever, what is the firm's expected, or required, return on equity using a dividend discount model approach?
- Instead of the situation in part (a), suppose that the dividend was expected to grow at a 20% rate for five years and at 10% per year thereafter. Now what is the firm's expected, required, return on equity?
- What is the stock's required rate of return according to the CAPM?

Question 8: Play-More Toys produces inflatable beach balls, selling 400,000 balls per year. Each ball produced has a variable operating cost of Rs. 0.84 and sells for Rs. 1.00. Fixed operating costs are Rs. 28,000. The firm has annual interest charges of Rs. 6,000, preferred dividends of Rs. 2,000, and a 40% tax rate. (2.5+2.5+2.5+2.5=10 Marks)

- Calculate the operating breakeven point in units?
- Use the degree of operating leverage (DOL) formula to calculate DOL?
- Use the degree of financial leverage (DFL) formula to calculate DFL?
- Use the degree of total leverage (DTL) formula to calculate DTL?

Question 9: Complete the balance sheet and sales information missing in the table that follows for J. White Industries and provide the answers on your answer sheet using the following financial data: (10 Marks)

Total assets turnover: 1.5

Gross profit margin on sales: (Sales – Cost of goods sold)/Sales = 25%

Total liabilities-to-assets ratio: 40%

Quick ratio: 0.80

Days sales outstanding (based on a 365-day year): 36.5 days

Inventory turnover ratio: 3.75

Partial Income Statement Information			
Sales	?		
Cost of goods sold	?		
Balance Sheet			
Cash	?	Accounts payable	?
Accounts receivable	?	Long-term debt	50,000
Inventories	?	Common stock	?
Fixed assets	?	Retained earnings	100,000
Total assets	Rs. 400,000	Total liabilities & equity	?

Cont... 9/5

Question 10: a. Shi Importers' balance sheet shows Rs. 300 million in debt (d), Rs. 50 million in preferred stock (ps), and Rs. 250 million in total common equity (s). Shi's tax rate is 40%, $r_d = 6\%$, $r_{ps} = 5.8\%$, and $r_s = 12\%$. If Shi has a target capital structure of 30% debt, 5% preferred stock, and 65% common stock, what is its WACC?

b. If Hunter Corp. has a ROE of 12% and payout ratio of 15%, what is its sustainable growth rate?

c. If Wilkinson, Inc., has an equity multiplier of 1.35, total asset turnover of 2.10, and a profit margin of 5.2%, what is its ROE?
(4+3+3=10 Marks)

