PUNJAB PUBLIC SERVICE COMMISSION

COMBINED COMPETITIVE EXAMINATION 2017 FOR RECRUITMENT TO THE POSTS OF PROVINCIAL MANAGEMENT SERVICE, ETC.

SUBJECT: BUSINESS ADMINISTRATION (PAPER-II)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

Note:

Attempt in Urdu or English

PART - I: MARKETING (50 MARKS)

Attempt any FOUR Questions. Including Question No.1 Which is Compulsory.

O No. 1://

Identify the key elements of a customer-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy?

(20 Marks)

Q No. 2:

Describe the environmental forces that affect the company's ability to serve its customers. (10 Marks)

Q No. 3

Discuss how companies differentiate and position their products for maximum competitive advantage.

O No.4:

What is a brand? How does branding help both buyers and sellers?

(10 Marks)

Q No. 5:

Name and describe the major steps in the new-product development process.

(10 Marks)

PART - II: FINANCIAL MANAGEMENT (50 MARKS)

Attempt any FOUR Questions, Including Question No.6 Which is Compulsory, Use of Calculator is allowed. (not programmable)

Q. No.6:

What is Capital Budgeting? Briefly explain the steps involved in capital budgeting process.

b) Star Company is manufacturing household kitchen Items and through marketing research analyzed that there is an increasing trend in sales of its products for last few years and this trend will continue in coming years as well. In order to cater the customers demand in future, the company decided to increase its production capacity by installing new machinery which will cost. Rs. 70,000 and as a result company's sales revenue will increase by Rs. 50000 each year for next five years. However, this project proposal will Increase the variable cost by Rs.15000 (before taxes) for the first year and this variable cost will rise by 10% per year afterwards, during the project life. After 5 years, the machinery will not be operational and will become absolutely obsolete with no salvage value. The machinery will be depreciated on the basis of straight line method over its useful life. Company's cost of capital is 12% whereas its tax rate on marginal (before tax) Income Is 40%.

Required:

On the basis of the given information develop relevant after-tax cash flows of the project and then using Net Present Value (NPV) Method, make recommendation whether this project should be implemented or not. (5+15 marks)

Q. No.7//3)

Distinguish between Systematic and unsystematic risks. Why investors do not demand a risk premium for unsystematic risk (as per Capital Asset Pricing Model).

P.T.O

 For a portfolio of two securities, security A and security B, calculate the 'portfolio risk' if there exists a (i) perfect positive correlation, and (ii) perfect negative correlation.

The data relating to the securities is given as below:

Particulars	Security A	Security B
Expected return	14%	10%
Expected risk	16%	12%
Weightage of funds invested	40%	60%

(4+6 Marks)

Q. No.8: a)

- a) What is the general relationship among operating leverage, financial leverage and total leverage of a firm? Also discuss the factors which contribute to the Business Risk and Financial Risk of a firm.
- b) For the following capital structure of a firm and before-tax costs of different sources of finance, compute the weighted average cost of funds (WACC).

Financing source	Amount (Rs.) F	Proportion (in %)	Before-tax cost
			(in %)
Long-term Debt	4,000,000	20	6
Preferred equity	2,000,000	10	9
Common (stock) equity	6,000,000	30	12
Retained Earnings	8,000,000	40	11
	20,000,000	100%	
Applicable tax rate is 30%.			(5+5 Marks)

Q. No.9:

The current dividend of XYZ Company Ltd. Is Rs. 2 per share (common) and annual growth rate in dividends presently is 20 percent for first 2-years which is expected to decline at 15 percent for next 3 years. Then after that, it will become constant at 12 percent for indefinite period of time. The required rate of return on this common stock is 15 percent. Compute the intrinsic value per common share.

(10 marks)

Q. No. 10:

Being the student in financial management, you have been provided with the following data pertaining to Umair Ceramics:

Average collection period	18 days
Long-term debt to equity ratio	0.5:1
Gross profit margin	10%
Inventory turnover	9 times
Quick ratio (Acid-test)	1:1
Total asset turnover	2.5 times

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Firm sales are 100% on credit.

Required: On the basis of the above information, complete the **missing amounts** in the balance sheet given below:

Umair Ceramics Balance Sheet As on Dec. 31, 2016

Assets	Amount (Rs.)	Liabilities & Equity	Amount (Rs.)
Cash	7	Accounts payable	100000
Accounts Receivables	2	Debt, Long-term	?
Inventories	7	Common Stock	100000
Plant and Equipment	7	Retained Earnings	100000
Total Assets	7	Total liabilities & Stockholder's equity	,

(10 Marks)