PUNJAB PUBLIC SERVICE COMMISSION
COMBINED COMPETITIVE EXAMINATION
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE, ETC.

BUSINESS ADMINISTRATION (OPTIONAL) PAPER-II

TIME ALLOWED: 3 HOURS **MAXIMUM MARKS: 100**

Note: Attempt in English Language only.

PART–I (Marketing) 50 Marks

Q.1: A committee of the American Marketing Association defined marketing as "the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives." Does this definition consider macro-marketing? Explain your answer. (10)

Q.2: Is there any difference between a brand name and a trademark? If so, why is this difference important? Is a well-known brand valuable only to the owner of the brand? (10)

Q.3: Why would middlemen want to be exclusive distributors for a product? Why would producers want exclusive distribution? Would middlemen be equally anxious to get exclusive distribution for any type of product? Why or why not? Explain with reference to the following products: candy bars, batteries, golf clubs, golf balls, steak knives, televisions, and industrial woodworking machinery. (10)

Q.4: Answer Briefly: (5,5,5,5)

(a) Is it unfair to advertise to children?

(b) Is it unfair to advertise to less-educated or less-experienced people of any age?

(c) Is it unfair to advertise for "unnecessary" products?

(d) Is it unfair to criticize a competitor's product in an ad?

Part – II (Financial Management) 50 Marks

Q.5: A company is considering whether to invest Rs. 18,000 in a project which would make extra profits (before depreciation is deducted) of Rs. 10,000 in the first year, Rs. 8,000 in the second year and Rs. 6,000 in the third year. Its cost of capital is 10% (in other words, it would require at least 10 % on its investment).

Required: (i) Evaluate the project by NPV method.

(ii) Calculate Discounted Payback Period.

Note: Present Value Table gives the following values for 10%

Year	Present Value Factor
0	1.000
1	0.909
2	0.826
3	0.751

(10)

Q.6: A project would cost Rs. 110,000 and the annual net cash inflows are expected to be as follows. The company's cost of capital is 10% p.a. What is the internal Rate of Return of the project?

Year	Cash Flow (Rs.)
1	36,000
2	36,000
3	27,000
4	24,000
5	24,000

Note:

Year	10 % factors	15 % factors
1	0.909	0.870
2	0.826	0.756
3	0.751	0.658
4	0.683	0.572
5	0.621	0.497

(10)

Q.7: Bake Co. is a family owned company that makes and sells homemade cakes and confectionery under its own brand name. Its main customers are local supermarkets and shops. Bake Co. has buit up a reputation for quality, and revenue has increased over recent year to Rs. 2 million per year. This increase in sales revenue is expected to continue, and the families are keen to expand and install new equipment in the factory. The cost of re-equipping the factory will be high, estimated to be possibly as great as 25% of the present value of the company. The company has no debt.

Required: Explain each of the following methods of raising finance, and discuss the usefulness of each for Bake Co.'s expansion plans.

(a) Overdraft

(b) Term Loan

(c) Equity

(d) Trade Credit (10)

Q.8: You are given summarised information about two firms in the same line of business, A and B, as follows.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	A		B	
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Non-current assets		80		260
Land	120		200	
Buildings	40	80	—	200
Depreciation				
Plant	90		150	
Depreciation				
	70	20	40	110
		180		570
Current assets				
Inventories	80		100	
Receivables	100		90	
Bank	—	180	10	200
		360		770
Equity and reserves				
Total equity and reserves brought forward		100		300
Retained earnings		30		100
Less drawings		30		40
Revaluation reserve		—		160
		100		520
Non-current liabilities				
Loan (10%pa)		100		130
Current liabilities				
Payables	110		120	
Overdraft	50	160	—	120
		360		770
Revenue		1,000		3,000
Cost of sales		400		2,000

Required: Calculate the following ratios and comment on the results.

1. Gross profit Ratio
2. Net Profit Ratio
3. Debt-Equity (Gearing) Ratio
4. Return on Capital employed
5. Quick Ratio
6. Receivable Turnover Period

Q.9: Wing Co's liquidity has declined significantly over the last 12 months. The following financial information is provided:

Year to 31 December

	20X2	20X3
	Rs.	Rs.
Revenue	573,000	643,000
Cost of goods sold	420,000	460,000
Cash/(overdraft)	5,000	(10,000)
Receivables	97,100	121,300
Payables	23,900	32,500
Inventories	121,400	189,300

All purchases and sales were made on credit.

Required:

(a) Analyse the above information, which should include calculations of the operation cycle (the time lag between making payment to suppliers and collecting cash from customers) for 20X2 and 20X3.

(b) Discuss the implications of the changes which have occurred between 20X2 and 20X3.

Notes:

(a) Assume a 365 day year for the purpose of your calculation and assume that all transactions take place at an even rate.

(b) All calculations are to be made to the nearest day.