BUSINESS ADMINISTRATION (OPTIONAL) PAPER -II

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

NOTE: Attempt in English Language only.

PART-I (MARKETING) 50 MARKS

Q.1 Please explain the Marketing Role and enlist your activities for the first THREE HOURS after you woke up this morning. Briefly indicate how marketing affected your activities. 10

Q.2 Describe Internal & External Environment factors which must be taken into account to design an effective marketing Programme. 10

Q.3 Explain factors influencing Price Determination and how a firm's pricing objective may influence the promotional program for a product. 10

Q.4 Briefly describe the following:- 5,5,5,5

(a) Product Mix and Promotional Mix
(b) Market Segmentation
(c) Distribution Channels
(d) Branding and Packaging.

PART-II (FINANCIAL MANAGEMENT) 50 MARKS

Q.5 (i) Rug is considering a capital investment in new equipment. The estimated cash flows are as follows:-

Year	cash flow ($)
0	(240,000)
1	80,000
2	120,000
3	70,000
4	40,000
5	20,000

The company cost of capital is 9%

Required:

Calculate the NPV of the project to assess whether it should be undertaken.

The following are discount factors for a 9% cost of capital.

Year	Discount factor at 9%
0	1.000
1	0.917
2	0.842
3	0.772
4	0.708
5	0.650

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(ii) Calculate how much rupees exporters would receive or how much rupees importers would pay, ignoring the bank's commission, in each of the following situations, if they were to exchange currency and rupees at the spot rate.

(a) A Pakistani exporter receives a payment from a Danish customer of 150,000 kronerss.

(b) A Pakistani importer buys goods from a Japanese supplier and pay 1 million yen.

Spot rates are as follows:-

	Bank sells (offer)	Bank Buys (bid)
Danish Kr/Rs.	9.4340	9.5380
Japan Y/Rs.	203.650	205.781

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Q.6 State ten factors that should be taken into account when considering dividend policy? 10

Q.7 Find the IRR of the project given below and state whether the project should be accepted if the company requires a minimum return of 17%

TIME		RUPEES (Rs)
0	Investment	(4,000)
1	Receipts	1,200
2.	*	1,410
3.	*	1,875
4.	*	1,150

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Q.8 The January 1 cash balance of Cowan Company is Rs. 5,000. Sales for the first four months of the year are expected to be as follows.

MONTHS	RUPEES
January	65,000
February	54,000
March	66,000
April	63,000

On January 1, uncollected accounts for November and December of the previous year are Rs. 13,500 and 39,150, respectively. Collections from customers follow this pattern:

55% in the month of sale
30% in the month following the sale
13% in the second month following the sale and
2% uncollectible.

Material purchases for December were Rs. 10,000. Forecast purchases for the Coming year are:

January	12500
February	16500
March	13000 and
April	14000

Purchases are usually paid by the 10th of the month following the month of purchase. other cash expenditure of 41,000 are forecasted for each month.

Required: (1) Expected cash collection during February.
(2) Expected cash balance, February.
(3) Expected cash balance, February, 28. 10

Q.9 The following information has been extracted from the accounts of Witton Way Inc.

Income statement for the year to 30 April 2009	**2008 Rs.000**	**2009 Rs.000**
Turnover (all credit sales)	7,650	11,500
Less Cost of sales	(5,800)	(9,430)
Gross profit	1,850	2,070
Other expenses	(150)	(170)
Loan interest	(50)	(350)
Profit before taxation	1,650	1,550
Taxation	(600)	(550)
Profit after taxation	1,050	1,000
Dividends (all ordinary shares)	(300)	(300)
Retained profits	750	700

Balance sheet at 30 April 2009

	2008 Rs.000	2009 Rs.000
Assets		
Non-current assets	10,050	11,350
Tangible assets		
Current assets		
Inventories	1,500	2,450
Trade receivables	1,200	3,800
Cash	900	30
	3,600	6,300
	13,650	17,650
Equity and liabilities		
Capital and reserves		
Called-up share capital	5,900	5,900
Retained earnings	5,000	5,700
	10,900	11,600
Non-current liabilities	350	3,360
Current liabilities	2,400	2,700
	13,650	17,650

Additional information

During the year to 30 April 2009 the company tried to stimulate sales by reducing the selling price of its products and by offering more generous credit terms to its customers.

Required:

Calculate each of the following ratios for the two years ended 30 April 2008 and 2009.

(a) Gross profit ratio.
(b) Return on capital employed.
(c) Current ratio.
(d) Acid test ratio.
(e) Trade receivable collection period.
(f) Inventory turnover.

and comment on your findings. 10