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FEDERAL PUBLIC SERVICE COMMISSION
SECTION OFFICERS PROMOTIONAL EXAMINATION - 2016

Roll No.

BUSINESS ADMINISTRATION

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

- NOTE:**(i) Attempt **FIVE** questions in all. **ALL** Questions carry **EQUAL** Marks.
(ii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper**.
(iv) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(v) Extra attempt of any question or any part of the attempted question will not be considered.
(vi) Leave some blank space and draw two horizontal lines (====) at the end of each answer.

Q. 1. Joe Hernandez has inherited \$25,000 and wishes to purchase an annuity that will provide him with a steady income over the next 12 years. He has heard that the local savings and loan associations are currently paying 6 percent compound interest on an annual basis. If he was to deposit his funds, what year-end equal-dollar amount (to the nearest dollar) would he be able to withdraw annually such that he would have a zero balance after his last withdrawal 12 years from now? (20)

Q. 2. Do you think that most managers in real life use a contingency approach to increase their leadership effectiveness? Explain. (20)

Q. 3. Why might a manager want to stimulate conflict in a group or team? How could conflict be stimulated? (20)

Q. 4. What are the benefits and drawbacks of realistic job previews? Answer the question from the perspective of both the organization and the employee. (20)

Q. 5. (20)

Assets	Liabilities
Cash \$ 400	
Inventories 2,100	Accounts payable \$ 320
Accounts receivable 1,300	Accruals 260
Current assets 3,800	Short-term loans 1,100
Net fixed assets 3,320	Current liabilities 1,680
	Long-term debt 2,000
	Net worth 3,440
Total assets \$7,120	Total liabilities and net worth \$7

Net Income

Net sales (all credit) \$12,680
Cost of goods sold 8,930
Gross profit 3,750
Selling, general and administration expenses 2,230
Interest expense 460
Profit before taxes 1,060
Taxes 390
Profit after taxes \$670

Required:

Prepare a report for the board of directors of Highbury on the company's financial progress on the basis of information given above. You should support your analysis with relevant accounting ratios covering (a) the current ratio, (b) the acid-test ratio, (c) the average collection period, (d) the inventory turnover ratio, (e) the debt-to-net-worth ratio, (f) the long-term debt-to-total-capitalization ratio, (g) the gross profit margin, (h) the net profit margin, and (i) the return on equity.

