



**FEDERAL PUBLIC SERVICE COMMISSION**  
**SECTION OFFICERS PROMOTIONAL EXAMINATION - 2017**

Roll Number

**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. No. 1.** What is Hawthorne effect and why it is important to Managers? What is the major task of the manger according to contingency approach? What assumptions about the contemporary world set the dynamic engagement approach apart from the other management theories? (20)
- Q. No. 2.** What is the principal difference between problem finding and opportunity finding? What four situations usually alert mangers to the existence of a problem? What factors affect a managers' threshold for problem recognition? (20)
- Q. No. 3.** How does leadership differ from management? Describe the path-goal model. On what theory of motivation is the model based? According to this model, how do managers with different leadership styles differ in their ability to influence or reward subordinates? (20)
- Q. No. 4.** Specifiy some external macro-environmental forces affecting the marketing programs of: (20)  
(a) Pizza Hut (b) Your University  
(c) Kalakola (Hair care product) (d) Universal Cinema  
Give some examples of how the changing role of women has been reflected in marketing?
- Q. No. 5.** What Market factors might you logically use in estimating the market potential for each of the following products? (20)  
(a) Central home air conditioners. (b) Electric Milking Machines.  
(c) Luxury airline travel. (d) Sterling silver flatware.  
Carefully distinguish between market potential and a sales forecast, using an example of a consumer or a business product.
- Q. No. 6.** (a) What are the functions of a financial manager? Explain in what ways the wealth maximization objective of financial management is superior to the profit maximization? (20)  
(b) DEL Manufacturing Company wants to evaluate an equipment purchase decision. Equipment A has a cost of Rs. 75,000 and net cash flow of Rs. 20,000 per year for six years. A substitute equipment B would cost Rs. 50,000 and generate net cash flow of Rs. 14,000 per year for six years. The required rate of return of both equipments is 11 percent. Calculate the IRR and NPV for both the equipments. Which equipment should be accepted and why?

## BUSINESS ADMINISTRATION

- Q. No. 7.** (a) What is mean by Working Capital? Discuss the factors which determine working capital needs of the firm. (20)
- (b) A company has total annual sales (all credit) of Rs. 400,000 and a gross profit margin of 20 percent. Its current assets are Rs. 80,000; current liabilities Rs. 60,000; inventories Rs. 30,000 and cash Rs. 10,000.
- (i) How much average inventory should be carried if management wants the inventory turnover to be 4?
- (ii) How rapidly (in how many days) must accounts receivable be collected is management wants to have an average of Rs. 50,000 invested in receivable? (Assume a 360 day year)

- Q. No. 8.** CAT Company has the following balance sheet and income statement for 2012 (in thousands) (20)

### **Balance Sheet**

Cash	Rs.	400
Accounts Receivables		1300
Inventories		<u>2100</u>
Current Assets		3800
Net Fixed Assets		<u>3320</u>
Total Assets		<u><u>7120</u></u>
Accounts Payable	Rs.	320
Accruals		260
Short-term Loans		<u>1100</u>
Current Liabilities		1680
Long-term debt		2000
Net Worth		<u>3440</u>
Total liabilities and Net worth		<u><u>7120</u></u>

### **Income Statement**

Net Sales (all credit)	Rs.	12,680
Cost of goods sold		<u>8,930</u>
Gross Profit		3,750
Selling, general and admin expenses		2,230
Interest expense		<u>460</u>
Profit before taxes		1,060
Taxes		<u>390</u>
Profit after taxes	Rs.	<u><u>670</u></u>

Note: (a) Current year depreciation is Rs. 480.

(b) Ending inventory of 2011 was Rs. 1,800.

### **On the basis of given information, compute the following:**

- (i) The current ratio
- (ii) The acid-test ratio
- (iii) The average collection period
- (iv) The inventory turnover ratio
- (v) The debt to net worth ratio
- (vi) The long term debt to total capitalization ratio.
- (vii) The gross profit margin
- (viii) The net profit margin
- (ix) The return on equity

Also, comment on the performance of company based on financial ratios.