Business Admin
Final Mock

Q.NO. 7.

Part a

A- A banker considering the financing of seasonal inventory

Key Ratios:

1- Current Ratio:

This will show if the firm has enough current Assets to cover its short-term liabilities, which is crucial for evaluating the liquidity needed for the seasonal inventory financing:

2- Quick Ratio:

This is a more stringent measure of liquidity, excluding inventory from assets, which could be critical for understanding how quickly the company can meet obligations without relying on inventory turnover.

3- Inventory turnover:

This will help the banker assess how efficiently the company turns inventory into sales and determine how quickly the inventory can be converted into cash.

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B. A wealthy equity investor

Key Ratios:

1. Return on Equity (ROE):

Although not explicitly mentioned in the provided data, this ratio would be highly relevant for an equity investor as it shows how well the company is generating profits from its shareholders equity

2- Earnings Per Share (EPS):

An investor will focus on the company's profitability and the value generated for each share of stock.

3- Price to Earnings (P/E) ratio:

This will help determine if the stock is overvalued or undervalued based on its earnings.

C- The manager of a pension fund considering the purchase of a firm's bonds.

Key Ratios:

1- Debt to equity:

This is essential for the pension fund manager to assess the company's leverage and financial Risk when considering the bond purchases.

2- Interest coverage:

This Ratio will show the company's ability to meet interest payments, which is critical to bondholder.

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D. The President of a consumer product firm.

Key Ratio:

1- Gross Profit margin:

This is an important measure for assessing the profitability for products and before operating expenses are considered, which is vital for a consumer products company to ensure product line profitability.

2- Operating Profit margin:

This will help the president understand how efficiently the company is operating relative to its revenue.

3- Return on Assets (ROA):

This ratio will indicate how efficiently the company is using its assets to generate profit, important for strategic decision making.

Part 6

1 - Working Capital

Working Capital = Current Assets – Current liabilities

Current Asset = Cash + Acc Rec + Marketable securities + Merchandise Inventory

= 108,000 + 350,000 + 142,000 + 150,000

= 750,000.

Current liabilities = Acc Payable + Bill Payable =

= 200,000 + 50,000 = 250,000

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Working capital = 750,000 − 250,000
= Rs. 500,000

2- Current Ratio

$$= \frac{\text{Current Asset}}{\text{Current liabilities}}$$

$$= \frac{750,000}{250,000}$$

= 3

= 3:1

3- Quick Ratio

$$= \frac{\text{Current Asset} - \text{Inventory}}{\text{Current liabilities}}$$

$$= \frac{750,000 - 150,000}{250,000}$$

$$= \frac{600,000}{250,000}$$

= 2.4

= 2.4:1

4- Inventory Turnover

$$= \frac{\text{Cost of Goods sold}}{\text{Average Inventory}}$$

$$\text{Average Inv} = \frac{\text{Opening Inventory} + \text{ending Inventory}}{2}$$

$$= \frac{120,000 + 150,000}{2}$$

$$= \frac{270,000}{2} = \text{Rs } 135,000$$

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COGS = 540,000

$$= \frac{540,000}{135,000}$$

= 4 times

5- Accounts Receivable Turnover

~~Credit Sales~~ = $\frac{\text{Credit sales}}{\text{Average Account Receivable}}$

Credit sales = 18,25,000

Average Accounts Receivable = $\frac{\text{Opening} + \text{Ending}}{2}$

$$= \frac{380,000 + 350,000}{2} = 365,000$$

Accounts Receivable Turnover = $\frac{18,25,000}{365,000}$ = 5 times

6- Gross Profit Percentage

$$= \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

Gross Profit = Sales − COGS

= 18,25,000 − 540000 = 1285,000

Gross Profit % = $\frac{1285,000}{18,25,000} \times 100$

= 70.41 % ≈ 70.4%

7- Net Profit Percentage

Net Profit = Sales − COGS − Operating expense

= 18,25,000 − 540,000, 600,000

= 685,000

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Net profit percentage = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$

$= \frac{685,000}{1825,000} \times 100$

$= 37.53\ \%$

8. Operating Expense Rate

$= \frac{\text{Operating Expense}}{\text{Sales}} \times 100$

$= \frac{600,000}{1825,000} \times 100$

$= 32.87\ \%$

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Q.NO. 3

INTRODUCTION

The Marketing Mix refers to a set of tactical marketing tools or strategic that companies use to achieve their marketing objectives and ultimately increase sales. Traditionally, the marketing mix is defined by the 4Ps, Product, Price, Place and Promotion, but in modern marketing it has been expanded to include the 7Ps people, process and physical evidence, in service oriented businesses. A comprehensive marketing mix, when optimized, can directly impact a company's sale volume by aligning products with customer needs and preferences.

The 4P's of Marketing Mix

1. Product

The product is the core of the marketing mix. It involves the design, quality, features, brand and overall value proposition offered to the customer. The

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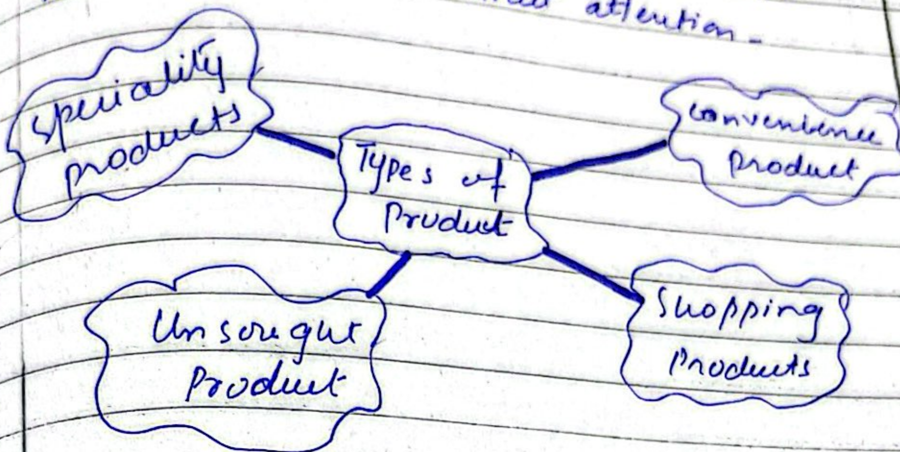
product must fulfill a market need or solve a problem to attract attention.



The types of product are as follows:

1- Convenience product, are everyday, low-cost items that consumers purchase frequently with minimal effort and little comparison shopping. These are easily accessible and available e.g. Toothpaste, soap, bottled water, snacks.

2- Shopping Product, are product that consumers actively seek, compare and evaluate before making a purchase decision. More time and effort is spent to find the best quality, price or specific feature. Example, furniture, smartphone, appliances etc.

3- Speciality product, are unique, high quality or luxury items that consumer actively seek and are willing to invest time and effort. Example, Rolex watch, designer clothing brands etc.

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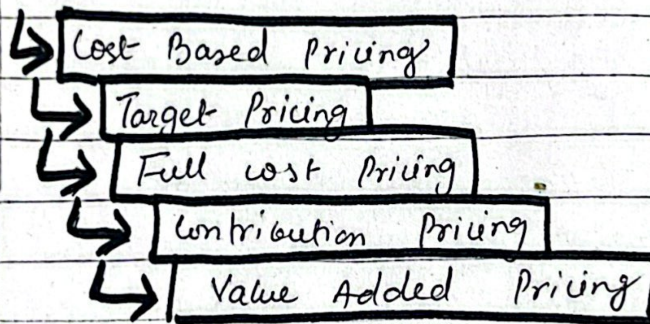
4- Unsought product, consumer do not actively seek out for these product and are not aware until the need arise. Example, medical devices, burial plots and emergency repair services.

2- Price

Price refers to the amount charged for the product or service. It influences how potential buyers perceive value and can affect demand.



1- Cost based Pricing, often referred to as markup pricing, involves adding a predetermined percentage or fixed amount to the cost of producing or acquiring a product to determine its selling price.

2- Target Pricing, is a customer driven approach where a company sets the price based on what customers are willing to pay. The company determines the target selling price and then works backward to calculate the cost it can incur while maintaining profitability.

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3- Full cost pricing, involves considering both variable and fixed costs, when setting a products price- This method ensures that all costs, including overhead and indirect expense are recovered and profit is achieved-

4. Contribution pricing, focuses on covering variable costs and generating a contribution margin, which can be used to cover fixed costs and contribute to profit- The selling price is set based on variable costs and the desired contribution margin-

5. Value-Added Pricing, it involves charging a premium for additional value or unique feature offered by a product or service- It aligns the price with the perceived value customers receive-

3- Place

Place refers to the distribution channels used to make the product available to the customers- The strategy involves decisions about where to sell the product, the location of stores, the online presence and how products are delivered to the end customer- The more accessible the product is to customers, the higher ~~rate~~ the likelihood of increased Sales-

4- Promotion

Promotion is about communicating with potential customers to inform, persuade and remind them about the product. Effective promotion increases product visibility, generates awareness, and builds demand, which leads to increased sales. Sales promotions like discounts, coupons, or special offer can drive immediate increases in sales volume.

The Three Additional P's

5. People

Refers to everyone involved in product or Service, including employees, customers and other stakeholders.

6. Process

It involves the way the service is provided or delivered. Streamlining process, ensuring

quick and efficient service and reducing friction in the buying journey can increase customer satisfaction.

7- Physical Evidence

Physical evidence refers to the tangibles that help customers evaluate the service, such as the physical environment, branding or packaging.

The Effects of the Marketing Mix on Sales Volume

1- Creating Demand and Awareness

A strong product with effective pricing and promotional strategies can help generate demand. For example, using discounts, or launching a new innovative product at an attractive price point can increase the awareness and drive initial sales.

2- Customer Retention

Effective marketing mix strategies that focus on customer satisfaction, encourage repeat-

purchases. loyal customers are more likely to buy more frequently, which increases the sales volume.

3. Maximizing Reach

A well planned placement strategy ensure the product is available to a larger audience, expanding the potential customer base and contributing to greater sales.

4. Competitive Advantage

A company that can effectively manage its marketing mix can differentiate itself from competitors. For instance, a unique product with excellent branding, an attractive price, and well-targeted promotions can outshine competitors, capturing a larger market share and increasing sales.

Conclusion

The marketing mix is a dynamic and integrated approach that, when aligned with market demands can significantly enhance a company's ability to increase sales volume. Through the right combination of all the P's companies can attract customers, build loyalty and maintain competitive advantage. Therefore, an optimized marketing mix is crucial for sustained sales growth and long term success.

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Q. NO. 8.

Part- A

Scope of Financial Management

Financial management involves the strategic planning, organizing and controlling, and monitoring of financial resources with an organization. Its objectives is to maximize shareholder value and ensure that the company's resources are used efficiently. The scope of financial Management includes, Investment decisions - This involves evaluating potential investments, determining their viability and ensuring the best possible returns on the capital. Financing decisions — This involves choosing the right mix of debt, equity or other financial instruments. Dividend Decisions — It involves the decisions regarding dividend ~~and~~ distribution and reinvestment - Risk Management — Identifying and manging various financial risks that could affect the company's profitability or

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financial Position. Financial Planning and Analysis — forecasting future financial conditions, setting financial goals, preparing budgets and conducting financial analysis to assess performance against goals

Types of Financial Markets

1. Stock Markets

These markets facilitate the buying and selling of shares (equity) in publicly traded companies. Example; New York Exchange (NYSE) and NASDAQ

2- Debt Markets (BOND)

They deal with the issuance and trading of debt securities, such as government bond, corporate bond and municipal bond. Investors purchase bonds as debt instruments, receiving periodic interest payments and the return of principal at maturity.

3. Money Market-

It involves short term borrowing and lending, typically with maturities of one year or less. Instruments traded in money markets include Treasury bills, commercial paper, certificates of deposit and repurchase agreements.

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4- Foreign Exchange Markets

Forex markets facilitate the trading of currencies. Participants including banks, financial institutions, corporations and individual traders, engage in currency exchange to conduct international trade and investment.

5- Commodity Market

These markets involve the buying and selling of physical commodities such as gold, silver, oil, agriculture products and other raw materials. They can be divided into spot markets and futures markets.

Types of Financial Securities

1. Stocks (Equities):

Represent ownership in a company. Stockholders have a claim on a portion of the company's asset and earnings. Stock can offer capital appreciation and dividends.

2- Bonds (Fixed Income Securities)

Debt instruments where investors lend money to an entity in exchange for periodic interests payments and the return of the principal amount at maturity.

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3- Mutual Funds

Pooled investment vehicles that pool money from many investors to invest in a diversified portfolio of stocks, bonds or other securities. Investors own shares in the mutual fund, and the value is determined by the performance of the underlying assets.

4- Exchange Traded Funds (ETF's)

Similar to mutual funds but traded on stock exchanges. ETF's can track an index or a specific sector and provide investors with diversified exposure to various assets.

Part 6.

1- Initial investment at 0 : Rs 700,000
in Year 1 : Rs 1,000,000

After-tax inflows Year 2 : Rs 250,000
Year 3 : Rs 300,000
Year 4 : Rs 350,000
(Per Year) Year 5 to Year 10 : Rs 400,000

$$NPV = \sum \frac{C_t}{(1+r)^t} - \text{Initial Investment}$$

C_t = Cash inflows at time t
r = Discount rate
t = Time period

Year	Cash Flow	Rate (Divide)	PV
0	-700,000	$(1+15\%)^0$	-700,000
1	-1,000,000	$(1.15)^1 = 1.15$	-869565
2	250,000	$(1.15)^2 = 1.3225$	189036
3	300,000	$(1.15)^3 = 1.5029$	197255
4	350,000	$(1.15)^4 = 1.7490$	200114
5	400,000	$(1.15)^5 = 2.0114$	198871
6	400,000	$(1.15)^6 = 2.3131$	172931
7	400,000	$(1.15)^7 = 2.6600$	150375
8	400,000	$(1.15)^8 = 3.0590$	130761
9	400,000	$(1.15)^9 = 3.5179$	113705
10	400,000	$(1.15)^{10} = 4.0456$	98874
		NPV	-(117643)

Sum of all the investment = 1451922.

NPV = 1451922 - 700,000 - 869565

= -117643

The NPV of the project is negative, indicating that the value generated from the project does not exceed the rate of return, so the project is not acceptable.

ii. IRR is 13.2%.