# Business Administration Mock - Final

Q2 -

50/80

## Introduction

very good start

Planning is a crucial part of the management. It involves setting objectives, situational analysis, strategies, resource allocation and policies and procedure. Contingency planning is crucial in ever changing environment, resulting in quick adaptation. This is due to various contingency factors covering both the internal and external environment of an organisation. The recent shifts in global environment has enhanced contingency factors.

## Contingency Factors that affect planning

### External Contingency Factors:

1) Global and National Economic Indicators

u can start it with PESTEL

Currently, the world witnessed rise in oil prices, affecting world trade and increasing cost, especially during Russia-Ukraine War. Such scenario resulted in firms facing difficulties in successfully implementing their management plan. For example, a global rise in oil prices shifted consumer preferences to hybrid and Electric vehicle. Thereby, it affected the objectives of companies who intended to sell petrol cars.

2) Political and legal changes

Political and legal changes in essence changes countrys policies which has direct and indirect -

impact on a business. For example, Pakistan has removed tax benefits on firms due to IMF's ~~pr~~ conditions to loans. Hence, the overall cost ~~of~~ to produce the firm increased. This may take competetive edge of cost from the firm, reducing its revenue.

good

3) Social Changes ~~in~~

Social Changes could affect a firm's planning process. There could be possible shift in preferences of gender, age, culture or values. For example, Unilever ~~eta~~ quickly understood customer's perception to the idea of skin colour. People, in Pakistan, embraced their natural skin colour and considered obsession with 'fair skin' as colonial mentality. Hence, it enabled the firm to completely rebrand 'Fair and Lovely' to 'Glow and Lovely'.

v good

4) Social Media trends and discussion

Social Media formulates opinions, bring awareness and disseminate information. This could negatively impact the firm if a negative perception of the firm was created. For example, there as been a global campaign on social media to boycott multinational food chains like McDonald over its support for Israel in Middle East conflict. Consequently, McDonalds lost billions of dollar of revenue.

very good

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# Effectively Managerial Planning in Contemporary era

## Contingency Planning should be mandatory:

good

Contingency Planning is alternate planning process if the original planning does not work out. Hence, a management calculates all possible scenarios and how the planning can be strategise in such environments. Hence, a managerial considers all the contingent factors mentioned. Certain examples given below provides a better understanding of manager's effective planning in today's environment.

1) Ambigious climate conference - COP 29 and planning around it.

COP-29 Climate conference caused uncertainity to the effectiveness of climate efforts. ~~Compared~~ 400 millions were allocated rather than the required 1.2 billion. Trump's historic withdrawal of Paris Agreement created more ambiguity. Hence, the ~~countries produce~~ firms that produces environmental pollutions devise ~~plan~~ multiple plans covering every possibility. For example, a paper producing company plans on possibility of strict regulation on wood supply. Hence, ~~beit~~ plans on the possibilities of recycleable paper and enhances contact with global suppliers.

2) Entrance of electric and hybrid Vehicles in Pakistani Market.

For many years, automobile industry of Pakistan was captured by the big 3. However, change in regulations have resulted in entry of new competitors. Possible planning involved target sales of gasoline cars. Now, the 3 companies ~~have~~ have to change their planning process to show their cause of promoting environmental friendly and featuristic vehicles. Moreover, the current loyal customers can be utilised ~~to~~ and conveyed on their legendary brands and their provision of reliability. Planning must be based on customer's reaction to the introduction of hybrid and EV models in market and campaigns should be tailored accordingly.

very good

## Conclusion

The world is constantly evolving due to social, political, Legal, economic and environmental shifts. This results in shifting preferences of customers, volatility in supply, diminishing value of product in the market and newer market practices. Hence, effective contingent planning is essential to ensure firm's adaptability to changing Circumstances.

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## Q3 - Introduction

Marketing Mix is an essential strategy of an organisation to meet consumer's ~~demand~~ need, communicate and deliver the product or service to the customer, thereby creating value. It is composed of 4Ps: Price, Product, Place and promotion, each essential to effective and efficient marketing. Through strategic utilisation of 4Ps, a firm can ~~all~~ increase its sale volume and meet its marketing objectives.

4 ps is not a strategy

## Marketing Mix: Price, Product, Place, Promotion

i) **Price:**

definition of price ?

Firms devise price strategy for their products. There are various measures of setting price such as mark-up pricing, value-based pricing, demand and supply, competitor's pricing, etc. It depends on these circumstances for firm to ensure they set realistic pricing. For example, setting high prices while targetting students will scare the customers away. Low pricing, on the other hand, may give a perception that the product is of poor quality. Hence, brand positioning and target market are essential to consider pricing. Pricing determines the potential sales revenue a firm can generate in a given time.

how price effects sales volume

ii) **Product:**

Product is main component of Marketing. All the marketing process is persued to reach the product to customer. However, it also involves product's value in itself to the customer. If the product was not as per the expectations of consumers, it could result in customer dissatisfaction. Hence, product involves, it design, packaging and features. A firm may produce greater customer value if product provides more value to the customer for the price paid. Firms and competitors strive to constantly innovate their product and provide Unique Selling Point to effectively market their product. For example

v good

Apple instills latest technology and features in iPhone to appease its customers.

iii) Place

Place is the location where the product is sold. Geographical location is essential for certain firms. For example, a retailer selling pharmaceutical product, may generate more sales on location with hospitals. Place can be physical and online depending on firm's strategy. For example, Dvago, a pharmaceutical retailer, has targetted populated locations in different parts of Karachi. Moreover, they also offer online purchase and delivery, easing product's availability to customer.

good

iv) Promotion

Promotion is one of crucial components of marketing mix. It involves firm's communication of product to customer. Promotions are conducted through social media campaigns, TVCs, Email marketing, Search Engine Optimisation, in-store promotions, billboards, etc. Promotion are strategies of persuading customers to buy their product. It helps in positioning products and creating a brand. However, it must be ensured that the expectations of customers created through promotions must be satisfied.

good

v) Other 3 ps : People, Process and Physical evidence

People refers to everyone involved in customer satisfaction. Process is the way in which products or services are delivered. Physical evidence is tangible environment that constitute to better service provision.

PAPERWORK

services marketing

CamScanner

How Marketing Mix increases the sales volume of a company

i) Price

its impact on sales volume

Price determination must be made carefully on a given sets of circumstances. For example, market Price elasticity of demand can be calculated. If the Price elasticity of demand was inelastic, increasing decreasing price will increase sales volume. This could apply on global and national level, both.

ii) Product

A technological breakthrough in product can increase sales volume. This is because product provides novel and unique experiences. Hence, generating high customer value. For example, Iphone's introduction to touchscreen in smart phone resulted in record level of volume sales.

iii) Place

Place is essential to product's volume sale. Selling a product internationally may provide rising sales. For example, KFC has established thousands of franchises around the world. Hence, with better accessibility, the sales volumes are high.

iv) Promotion

good

Brand positioning and communication is necessary to increase sales volume. For example, Volvo promotes the reliability of products through testing, attracting

heading should be like . promotion and its impact on sales volume massive customers who prefer reliability.

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Q7.

a)

A) A banker considering the financing of seasonal Inventory

A banker will consider Inventory turnover ratio .. and Inventory turnover in days. Through turnover ratios the banker can assess the number of times an ~~inven~~ inventory has been sold or the number of days it takes for inventory to be cleared in a given period of time, usually 365 days. The greater the number of time inventory is sold or the lesser it takes for inventory to be sold, the more inclined will the banker be to finance inventory.

liquidity ratios are also imp here to assess the liquidity

B) A wealthy Equity Investor

A wealthy Equity Investors will consider equity ratios. Return on capital employed is ~~rat~~ total return on the amount of equity invested in company. Debt to equity ratio will determine the financial structure of the firm. ~~Gree~~ It must be kept ideal. This is because a high debt to equity ratio means more interest and less profit for equity investor. A fall in debt to equity ratio means dilution of ownership.

v good

C) Pension Fund Manager

A pension fund manager purchasing firm's bond would consider solvency ratio to determine the risk associated with bond purchase. For example, plz improve expression and presentation

Interest coverage ratio determines the ability of firm to pay interest from profit. A debt to equity ratio will determine firms ability to risk to default and ability to repay the amount of loan.

D) President of consumer product's firm

and many other.

profitability is imp

The president will consider Account Receivable turnover ratio to determine if supplier could provide a better credit policy.

part b) 1. Working Capital

Working Capital = Current Assets − Current Liability

$= (350000 + 142000 + 150000 + 108000) - (200000 + 50000)$

$= \cancel{392000}\ 500000$

correct

2. Current Ratio = $\frac{\text{Current Asset}}{\text{Current liability}}$

$C.A(000) = \frac{350 + 142 + 150 + 108}{200 + 50}$

$= \cancel{2.568:1}\ = 3:1$

3- Quick Ratio = $\frac{C.A - \text{Inventory}}{C.L}$

v good

$= \frac{642 - 150 + 108}{250}$

$= \cancel{1.968:1}\ = 2.4:1$

4- Inventory turnover = $\frac{\text{Cost of Good sold}}{\text{Average Inventory}}$

$= \frac{540000}{(120000 + 150000)/2} = 4 \text{ times}$

5- Account Receivable Turnover = $\frac{\text{Credit Sales}}{\text{Avg. Trade Receivable}}$

$= \frac{1825000}{(380000+350000)/2} = 5$ times

6- Gross Profit Margin = $\frac{G.P}{Sales} \times 100$

G.P Margin (000) = $\frac{1825 - 540}{1825} \times 100$

$= 70.41\%$

7- Net Profit Margin = $\frac{N.P}{Sales} \times 100$

N.P (000) $= \frac{1825 - 540 - 600}{1825} \times 100$

$= 37.53\%$

8- Operating Expenses Rate = $\frac{\text{Operating Expenses}}{\text{Saless}} \times 100$

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

$= 32.88\%$

v good

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Q8-

a) Scope of Financial Management

allocation of capital and source of capital

Financial management is concerned with finances of an organisation. A financial manager decides on course of action regarding financing and investing strategies. This ensures that finances are efficiently managed and its conditions are assessed.

Scope of investment

A ~~firm~~ finance manager can assess investments through various techniques. Firstly, he can use ratio analysis to determine the feasibility of investment given the financial statement. Secondly, a firm can conduct stock valuation techniques through different financial modelling techniques to determine if stock is over or under valued. Thirdly, Portfolio management ~~should~~ is conducted to ensure risk diversification and stable return, considering the company is risk averse. Hence, these are few techniques that comes under the scope of investment. Capital Budgeting of PV, NPV, IRR and payback are used, as well.

follow investment

and investing activities

Scope of financing

A financial manager can assess various financing ~~technic~~ techniques. ~~For~~ Firstly, WACC is calculated to determine optimal sources of financing. Secondly, the manager assess ~~systematic~~ ~~and~~ the cost of financing of each source and it effects on company. ~~Thus~~ ~~it~~

## Financial markets

There are various financial markets. Among them are capital and money market. Capital market constitutes to long term investment while money market is for short term. Derivative markets ~~helps in~~ are use to hedge risks. Stock market is where security is sold. Bond market is the transaction of bonds.

## Financial Securities

Govt bonds are the safest form of securities with minimal risk such as PFBs and T-bills. Stock securities gives you the ownership of a part of company with returns in the form of dividend and capital gain. Preference shares are given dividend before ordinary shares. Bonds are securities that provide a fixed interest. ~~The~~ ~~issuance~~ FIs price is inversely proportional to Interest rate.

PV of inflow (15%)

1) Formula for P.V of cashflow = $\frac{C.F_n}{(1+i)^n} + \frac{C.F_{n+1}}{(1+i)^{n+1}} \ldots$

$\ldots \frac{C.F}{i}$

$= \frac{1000000}{(1.15)^1} + \frac{250000}{(1.15)^2} + \frac{300000}{(1.15)^3} + \frac{350000}{(1.15)^4} + \frac{x}{0.15}$

$= 869565 + 189036 + 197255 + 200114 + 66645$

$x = 400000 \times \frac{1-(1.15)^{-5}}{0.15}$

$= \frac{1340862}{1.155}$

$= 66645$

NPV = 1422615

incorrect

b) IRR tells us how much the required rate of return be in order to have NPV = 0. If IRR is greater than hurdle rate, NPV is positive and vice versa.

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