

# UNIVERSITY OF THE PUNJAB



Part-1 (First Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Organizational Behavior  
PAPER: MC-501

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

1.	Define 'Organizational Behavior' and explain major behavioral disciplines that contribute to OB.
2.	Define 'Attitude'. What are major job attitudes? Briefly explain "Job involvement" and "Organizational Commitment".
3.	Define 'Personality'. What do you know about "Big Five Personality Model"?
4.	Explain "Motivation". What are the key elements of motivation? Elaborate "two Factor Theory".
5.	Define 'Leadership'. Explain Fiedler's Contingency Model.
6.	Define 'Stress'. What are Individual and organizational approaches to manage stress.
7.	What is 'Negotiation'? What are the five steps in negotiation process?

# UNIVERSITY OF THE PUNJAB



Part-I (First Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Financial Management  
PAPER: MC-502

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

- Q.1 (a) Explain agency problem. How this can be minimized?  
(b) What are *pro forma* financial statements?

- Q.2 Assume that you just won the state lottery and your prize can be taken either in the form of the following cash flows:

Years	Cash flows
1	\$15000
2-5	\$10000 per year
6	\$5000

Or

\$10000 at the end of each of the next 6 years

If you expect to be able to earn 20% annually on your investments, ignoring taxes and other considerations, which alternative should you take? Why?

- Q.3 The Andrea S. Fault Seismometer Company is an all-equity-financed firm. It earns monthly, after taxes, \$24000 on sales of \$880000. The tax rate of the company is 40 percent. The company's only product, "The Desktop Seismometer", sells for \$200, of which \$150 is variable cost.

- a) What is the company's monthly fixed operating cost?  
b) What is monthly operating break-even point in units? In dollars?  
c) Compute the degree of operating leverage for the following possible monthly sales level:  
i) 4000 Units; ii) 4400 Units; iii) 4800 Units.

- Q.4 Dillon Labs has asked its financial manager to measure the cost of each specific type of capital as well as the weighted average cost of capital. The weighted average cost is to be measured by using the following weights: 40% long-term debt, 15% preferred stock, 10% retained earnings and 35% common stock equity. The firm's tax rate is 30%.

**Debt:** The firm can sell for \$980 a 12 year, \$1000 par value, paying annual interest at 9% coupon rates. A floatation cost of 3% of the par value is required in addition to the discount of \$20 per bond.

**Preferred Stock:** Eight percent annual dividend preferred stock having a par value of \$100 can be sold for \$65. An additional fee of \$2 per share must be paid to the underwriters.

**Common Stock:** The firm's common Stock is currently selling for \$50 per share. The firm expects to pay cash dividends of \$4 per share at the end of coming year. Its dividend payments which have been approximately 60% of earnings per share in each of the past 5 years were shown in the following table,

Year	Dividend
2006	\$3.75
2005	\$3.50
2004	\$3.30
2003	\$3.15
2002	\$2.85

It is expected that to attract buyers, new common stock must be underpriced \$5 per share, and the firm must also pay \$3 per share in floatation costs. Dividend payments are expected to continue at 60% of earnings.

- (a) Calculate the specific cost of each source of financing  
(b) Calculate weighted average cost of capital

- Q.5** Rose Manufacturing Company is attempting to choose the better of two mutually exclusive projects for expanding the firm's warehouse capacity. The relevant cash flows for the projects are shown in the following table:

	<b>Project-A</b>	<b>Project-B</b>
<b>Initial Investment [CF<sub>0</sub>]</b>	<b>\$(50000)</b>	<b>\$(50000)</b>
<b>Years</b>	<b>Cash Inflows</b>	
1	\$18000	\$30000
2	18000	20000
3	18000	15000
4	18000	20000
5	18000	5000

The firm's cost of capital is 12%. Calculate:

- Payback period, Net present value (NPV), and Internal rate of return (IRR) of both the projects
  - Which project would you finally select?
- Q.6** Actual sales and purchases of October and November 2016 along with forecast sales and purchases from December 2016 to February 2017 of Tulip Company are given below:

<b>Sales</b>	<b>Amount</b>	<b>Purchases</b>	<b>Amount</b>
October	\$50000	October	\$35000
November	55000	November	38000
December	60000	December	42000
January	60000	January	32000
February	70000	February	30000

Typically, the company collects 25 percent of its sales in the month of sales, 60 percent in the subsequent month, and 15 percent in the second month after the sale. All sales are on credit basis. Payment of purchases is made in the following month after purchases. General and admin expenses will amount to \$16000 a month, lease payment under long term lease contract will be \$2000 a month, and miscellaneous expenses will be \$1000 a month. A machine will be purchased in the month of January at a cost of \$20000. Cash on hand at December 1<sup>st</sup> is \$10000 and a minimum cash balance of \$10000 should be maintained throughout the cash budget period. Prepare a monthly cash budget for Tulip Company from December 2016 to February 2017.

- Q.7** Alexis Company uses 1000 units of a product per year on a continuous basis. The product has a fixed cost of \$90 per order, and its carrying cost is \$1 per unit per year. It takes 5 days to receive a shipment after an order is placed, and the firm wishes to hold 10 days' usage in inventory as a safety stock.
- Calculate the EOQ.
  - Determine the average level of inventory. (Note: Use a 360-day year to calculate daily usage)
  - Determine the reorder point.
  - Indicate which of the following variables change if the firm does not hold the safety stock:
    - Carrying cost, (ii) Total inventory cost, (iii) Reorder point, (iv) EOQ

# UNIVERSITY OF THE PUNJAB



Part-I (First Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: International Business & Finance  
PAPER: MC-503

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

- Q.1 Define international business. What are the major theories of international trade? Also discuss the applicability of these theories in today's environment.
- Q.2 Briefly explain the followings with respect to international trade.
- Trade Barriers
  - Culture
  - Subsidies by Government
  - Values and Norms
- Q.3 What is balance of payment? Also discuss entries and factors that influence on balance of payment.
- Q.4 What are the transaction exposure and economic exposure? Suggest measure to mitigate these exposures.
- Q.5 Calculate bid/ask spread in percentages.

	Currency	Bid rate	Ask rate
i-	Mexican Peso	Rs. 11.30	Rs. 11.95
ii-	US dollar	Rs. 107.20	Rs. 107.50
iii-	British Pound	\$ 1.40	\$ 1.45
iv-	Canadian dollar	Rs 82.20	Rs 83.00
v-	Indian Rupee	Rs 1.75	Rs 1.85

- Q.6 Discuss the following modes of countertrade
- Barter trade
  - Set-off
  - Switching trade
  - Counter-purchase
- Q.7 Explain the concept of an equilibrium exchange rate. Discuss determinants of exchange rate.

# UNIVERSITY OF THE PUNJAB



Part-I (First Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Business Management  
PAPER: MC-504

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

- Q.1 Describe Robert L Katz three essential managerial skills and how the importance of these skills changes depending on managerial level.
- Q.2 What is behavioral approach of management? What is the contribution of Hawthorne studies in behavioral approach?
- Q.3 Explain the criticisms of planning. Describe how managers can effectively plan in today's dynamic environment.
- Q.4 Contrast mechanistic and organic organizations. Explain the contingency factors that affect organizational design.
- Q.5 Identify the most common organizational stakeholders. List the four steps in managing external stakeholder relationship.
- Q.6 Define controlling. Discuss feed forward, concurrent and feedback controls and provide an example for each one.
- Q.7 Discuss how path-goal theory explains leadership



# UNIVERSITY OF THE PUNJAB

Part-I (First Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Principles of Marketing  
PAPER: MC-505

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

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**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

- Q.1 What is marketing and what are its primary goals?
- Q.2 Compare and contrast core beliefs/values and secondary beliefs/values. Provide an example of each and discuss the potential impact marketers have on each?
- Q.3 Describe the different elements of a company's Micro environment?
- Q.4 List and describe the major promotion mix tools?
- Q.5 Name and briefly describe the five product mix pricing decisions?
- Q.6 Explain how the various distribution channel members add value for manufacturers and consumers?
- Q.7 Describe the four characteristics of services that marketers must consider when designing marketing programs?



# UNIVERSITY OF THE PUNJAB

Part-I (First Year) A/2016

Examination:- M. Com.

(3½ Years Programme)

Roll No. ....

Subject: Banking Law & Practice in Pakistan

PAPER: MC-506

TIME ALLOWED: 3 hrs.

MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

- Q.1 (a) Define cheque under section 6 of Negotiable Instrument Act 1881.  
(b) Write the circumstances under which Banker can refused the payment of a cheque.
- Q.2 (a) What are basic requirements of opening of an Individual person's account with the Bank?  
(b) What are the statutory requirements for opening of following accounts with the Bank.  
(i) An Illiterate person's account.  
(ii) An Minor account.  
(iii) A married woman's account.
- Q.3 (a) Explain different types of crossing on a cheque.  
(b) Give the detail of persons who are authorize to cross the cheque.
- Q.4 What principles should be followed by a Bank before Lending Loan to the Customer?
- Q.5 (a) Explain different sources of funds available with the Bank.  
(b) Explain statutory requirements regarding Banker's Fund.
- Q.6 Explain various conditions under which Banker can disclose customer's account information pertaining to his bank account to third party.
- Q.7 (a) Write different letters of Credit?  
(b) What are the advantages of Letter of Credit to different parties in a Letter of Credit.



# UNIVERSITY OF THE PUNJAB

Part-I (First Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Interpersonal Skills  
PAPER: MC-507

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE:** Attempt any FIVE questions. All questions carry equal marks.

1. Define the effective role of Negotiation in terms of improved collaboration in Organizations. Explain the Five Stages of Negotiation.
2. Differentiate between Group and Team. Write down the factors that help the teams to show their high performance.
3. What is the importance of Perception in getting Self-awareness? What are the filters that influence our Perception?
4. What are the fears associated with Self-disclosure? If we are able to overcome those fears in what ways Self-disclosure benefits us?
5. Write down the Goal setting system that is used successfully by managers and others who wish to incorporate goal-setting principles into their organizational lives.
6. What is Organizational Stress? How can we overcome the factors that create Stress in our organizational life?
7. Write down Notes on the following:
  - I. Four P's of Effective Meetings
  - II. Physiology



# UNIVERSITY OF THE PUNJAB



Part-I (First Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Non Banking Financial Institutions  
PAPER: MC-508

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

***NOTE: Attempt any FIVE questions. All questions carry equal marks.***

Q1. Explain the role of financial institutions in economic development of a country.

Q2. Define leasing and its different types. What are the major functions of leasing companies? Provide a few examples of the types of products being leased in Pakistan.

Q3. Define money market. What are different instruments and functions of money markets?

Q4. What is the meaning of Mudarabah? Explain the different types of Mudarabahs and name the main parties involved in Mudarabahs.

Q5. Write a detailed note on objectives and functions of International Monetary Fund (IMF).

Q6. Explain what role is expected to be played by Industrial Development Bank of Pakistan (IDBL) in ensuring industrial development of the country.

Q7. Briefly explain the establishment history of Securities and Exchange Commission of Pakistan (SECP), and write a note on the functions of the Specialized Companies Division of SECP.



# UNIVERSITY OF THE PUNJAB

Part-II (Second Year) A/2016

Examination:- M. Com.

(3½ Years Programme)

Roll No. ....

Subject: Human Resource Management

PAPER: MC-601

TIME ALLOWED: 3 hrs.

MAX. MARKS: 100

***NOTE: Attempt any FIVE questions. All questions carry equal marks.***

- Q.1 What are the basic duties of an HR manager? What all HR function are performed by a line manager?
- Q.2 Distinguish on the job and off the job training. Explain three types of each on the job and off the job training. Which one is most useful for organization, comment?
- Q.3 What are the various techniques of performance appraisal? Briefly explain each type with an example.
- Q.4 What is the difference between recruitment and selection? In your view organization should go with internal or external sources of recruitment, explain your answer.
- Q.5 Why job analysis is important? Explain various methods involved in analysis of a job
- Q.6 What is Career development? What are various stages of career development? Explain value of career development for individuals.
- Q.7 Write short notes on following:
- Paired comparison
  - Job description and Job specification
  - Job enrichment and Job enlargement
  - Financial and Non-Financial reward



# UNIVERSITY OF THE PUNJAB

Part-II (Second Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Operations & Production Management  
PAPER: MC-602

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

- Q # 1. Write a detailed note on the factors that affect location decision of a manufacturing plant. Also discuss the reasons for involving in a location Decision.
- Q # 2. Differentiate between servicing and manufacturing. Write a detailed note on the features of a servicing business and features of manufacturing business.
- Q # 3. Define Effective Capacity? Discuss the determinants of Effective Capacity.
- Q # 4. Operations manager is a person who is only involved in basic issues of system design. Do you agree? Support your answer with relevant justification.
- Q # 5. Explain Five principal needs of an industrial worker.
- Q # 6. Briefly explain the advantages and disadvantages of process layout.
- Q # 7. Differentiate between simplification and standardization.
- Q # 8. What is meant by merit rating? Explain point system of it for decision making.



# UNIVERSITY OF THE PUNJAB

Part-II (Second Year) A/2016

Examination:- M. Com.

(3½ Years Programme)

Roll No. ....

Subject: Management Accounting

PAPER: MC-603

TIME ALLOWED: 3 hrs.

MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

Q. No. 1: Write short note on the following

- i. Absorption costing
- ii. Standard costing
- iii. Budgeting
- iv. Just in time system
- v. CVP analysis

Q. No. 2: Following information has been extracted from the financial records of A Ltd:

Production during the year	35,000 units
Finished goods at the beginning of the year	3,000 units
Finished goods at the end of the year	1,500 units
Sales price per unit	Rs. 200
Fixed overhead cost for the year	Rs. 1,000,000
Administration and selling expenses	Rs. 2,00,000
Annual budgeted capacity of the plant	40,000 units

The actual cost per unit, incurred during the year, was as follows:

Material	Rs. 70
Labour	Rs. 40
Variable overheads	Rs. 30

Company uses FIFO method for valuation of inventory. The cost of opening finished goods inventory determined under the absorption costing method system was Rs. 450,000. Fixed overhead constituted 16% of the total cost last year.

Required:

Prepare income statements for the year, under:

- i. Absorption costing, and
- ii. Marginal costing systems.

Q. No. 3: The Shegan company uses a standard cost system. The factory overhead standard rate per direct labour hour is:

$$\text{Fixed rate: } \frac{F.FOH \text{ Rs.4500}}{5000 \text{ hours}} = \text{Rs. 0.90}$$

$$\text{Variable rate: } \frac{V.FOH \text{ Rs.7500}}{5000 \text{ hours}} = \text{Rs. 1.50}$$

Applied Rate Rs. 2.40

For October, actual factory overhead was Rs. 11,000, actual labour hours worked were 4400 and the standard hours allowed for actual production were 4500.

Required: Factory overhead variance analysis using the two-three, and four-variance methods.

**P.T.O.**

Q. No. 4: The Behzad company has just received a franchise to distribute air conditioners. The company commenced business on January 1, 2015, with the following assets:

Cash	Rs. 45,000
Inventory	Rs. 94,000
Warehouse, office and delivery facilities and equipment	Rs. 8,00,000

All facilities and equipment have a useful life of 20 years and no residual value. First quarter sales are expected to be Rs. 3,60,000, double in the second quarter, triple in the third quarter and should be four times in the fourth quarter. One percent of sales are considered to be uncollectible. The gross profit margin should be 30%. Variable marketing expenses (except uncollectible accounts) are budgeted at 12% of sales and fixed marketing expenses at Rs.48000 per quarter, exclusive of depreciation. Variable administrative expenses are expected to be 3% of sales and fixed administrative expenses should total Rs. 34,200 per quarter, exclusive of depreciation.

Required: Forecast income statement by quarters and in total.

Q. No. 5: The president of the Mclachlan wholesale company, which markets a single product, requests an explanation for the gross profit decline for 19B. the following information is available.

	19A			19B		
	Units	per Unit	Amount	Units	per unit	Amount
Sales	25,000	Rs.3.00	Rs75,000	24,000	Rs.2.75	Rs66,000
Cost of goods sold	25,000	Rs.2.38	<u>Rs59,500</u>	24,000	2.40	<u>57,600</u>
Gross Profit			<u>Rs15,500</u>			<u>Rs8,400</u>

Required: Gross profit analysis.

Q. No. 6: Last month the H. Company had sales of Rs. 2,20,000, a C/M ratio of 40% and M/S ratio of 30%. During the current month, a decrease in sales price and a decrease in fixed costs have resulted in a C/M ratio of 36% and an M/S ratio of 24%.

Required:

- The amount sales decreased
- New break-even point
- Profit during the current month
- Decrease in fixed costs

Q. No. 7: The Miliwood supply company manufactures a single product on a continuous plan in three departments. On November 1, the work in process inventory in Department 2 was:

Cost in preceding department	Rs.13,130
Materials – department 2	None
Labour – department 2	Rs500
Factory overhead – department 2	Rs50
Units in process	5000

Costs in Department 2 during November were:

Labour	Rs.14,200
Factory overhead	Rs.3450

During November, 70,000 units were received from department 1 at a unit cost of Rs2.641; 68000 units were completed in department 2, of which 60,000 were transferred to Department 3, and 8,000 were on hand in Department 2 at the end of the month. Four thousand units were still in process, estimated to be one-half complete as to labour and factory overhead. The balance was lost within the department; its cost is to be absorbed by all the finished and unfinished production of the department.

Required: A November cost of production report for department 2, using the average costing method for beginning work in process inventories.

# UNIVERSITY OF THE PUNJAB



Part-II (Second Year) A/2016

Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Research Methods in Business  
PAPER: MC-604

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

- Q. 1 Define Broad Problem Area? Also explain how to develop a sound problem statement explain with the help of a suitable example. (5 + 15)
- Q. 2 Discuss the significance of a comprehensive literature review. (5 + 15)
- Q. 3 What is Research Design? Also discuss the various issues while developing a research design. (5 + 15)
- Q. 4 Explain the concept of "Theoretical Framework". Further discuss different type of variables with the help of examples? (4 + 16)
- Q. 5 What do you understand by the term "Questionnaire"? Explain different types of "Questionnaires" encompassing benefits of each type (4 + 16)
- Q. 6 What is the difference between Reliability and Validity? What are different types of Reliability? (5 + 15)
- Q. 7 Explain the concept of Sampling. What are its various types and discuss in what circumstances each of the type can be used (10 +10)

# UNIVERSITY OF THE PUNJAB



Part-II (Second Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Accounting Information System & E-Commerce  
PAPER: MC-605

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

***NOTE: Attempt any FIVE questions. All questions carry equal marks.***

1. Define cryptography. How encryption can be performed with the help of digital envelope? Discuss advantages and disadvantages of digital envelope.
2. What are different online payment methods? Discuss in detail.
3. Define e-commerce business model. Explain different B2C business models in detail.
4. How has information technology been employed in the accounting cycle?
5. Describe the conceptual payroll system commonly used in modern organizations.
6. Explain the financial reporting procedures in detail.
7. Discuss the integrative role of the accounting information system.



# UNIVERSITY OF THE PUNJAB

Part-II (Second Year) A/2016

Examination:- M. Com.

(3½ Years Programme)

Roll No. ....

Subject: Total Quality Management

PAPER: MC-606

TIME ALLOWED: 3 hrs.

MAX. MARKS: 100

**NOTE:** Attempt any FIVE questions. All questions carry equal marks.

- Q1. List the seven Basic Quality Control tools. How they help to improve the overall quality of an organization? (20)
- Q2. Discuss in detail the Deming's 14 points. Also explain the Deming's Triangle. (20)
- Q3. Define Leadership. What are the characteristics and roles of a quality Leader? (20)
- Q4. What is the use and objectives of Performance Measures to an organization? What should be the measures that are frequently asked by managers and teams? (20)
- Q5. What is a difference between Feedforward and feedback (final inspection) control. Why is feedforward more appropriate for TQM? (20)
- Q6. Quality costs are used by management in the pursuit of quality improvement, customer satisfaction, market share and profit enhancement. Examine the four primary quality cost categories in details. (20)
- Q7. Describe the following: (20)
- Just-in-time and just in case
  - Cause and effect Diagrams
  - Juran's Triology
  - Forcefield Analysis





# UNIVERSITY OF THE PUNJAB

Part-II (Second Year) A/2016

Examination:- M. Com.

(3½ Years Programme)

Roll No. ....

Subject: Logic & Critical Thinking

PAPER: MC-607

TIME ALLOWED: 3 hrs.

MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

1. Define the following logical terms. Also give one suitable example to explain each.
 

i. Mood	vi. Quality
ii. Premises	vii. Conclusion Indicator
iii. Inductive Argument	viii. Definiens
iv. Fallacy of Accident	ix. Venn Diagram
v. Conversion	x. Conjunct
  
2. Test the Validity and Invalidity of the following by using Venn Diagrams.
  - i. OAO-2
  - ii. AOO-1
  - iii. EAE-3
  - iv. EIO-3
  - v. IAI-4'
  
3. Which of the various functions of language are exemplified by the following sentences?
  - i. What a movie!
  - ii. Silence, please.
  - iii. Monday is the first day of the week.
  - iv. Alas!
  - v. The son apologizes to his father for his foolish remarks.
  - vi. K-2 is in Pakistan..
  - vii. She has promised to help me in Mathematics.
  - viii. The sun sets in the west.
  - ix. Water keeps its level.
  - x. Oh!
  - xi. Nice to see you!
  - xii. Help your parents.
  - xiii. Go away.
  - xiv. Aha!
  - xv. How do you do?
  - xvi. She congratulated me on my brilliant success in the exams.
  - xvii. Mango is cultivated in hot areas.
  - xviii. Hockey is a national game of Pakistan.
  - xix. Come on, my dear.
  - xx. Shit!
  
4. Define the term "Definition". Explain its main types with examples.
5. Use Truth Tables to determine the validity or invalidity of each of the following arguments:
  - i.  $(X \vee Y) \supset (X \cdot Y)$   
 $\sim (X \vee Y)$   
 $\therefore \sim (X \cdot Y)$
  - ii.  $(A \vee B) \supset (A \cdot B)$   
 $A \vee B$   
 $\therefore A \cdot B$
  
6. Arrange the following statements in Standard Form and name their Mood and Figure.
  - i. Aslam is a man. Therefore, Aslam is mortal as all men are mortal.
  - ii. All professors are educated people. All educated people are intelligent. So, all professors are intelligent.
  - iii. Since Socrates is a philosopher and all philosophers are wise. So, Socrates is wise.
  - iv. All blind people are viewless. Akram is viewless as Akram is blind of both eyes.
  - v. Oxygen is colourless as some gasses are colourless and oxygen is a gas.
  
7. Name the kind of Fallacy of Ambiguity committed in the following statements and Mark the word(s) containing fallacy.
  - i. Every member of the United States Congress is less than 100 years old. Therefore, the United States Congress is less than 100 years old.
  - ii. Women are better drivers than men. Miss Deeba is a good screw driver.
  - iii. The Eiffel Tower is in Paris. Therefore, every piece of steel in the Eiffel Tower is in Paris.
  - iv. Are you still cheating on your taxes?
  - v. Cutting the grass a snake bit him.
  - vi. The crows are omnivorous. Therefore, all the birds are omnivorous.
  - vii. George turned in his assignment on time today.
  - viii. Laurie calls on her mother when she's alone.
  - ix. Vulture is now dying out.  
Therefore, birds are now dying out.
  - x. Really exciting novels are rare.  
But rare books are expensive.  
Therefore, really exciting novels are expensive.



# UNIVERSITY OF THE PUNJAB

Part-II (Second Year) A/2016  
Examination:- M. Com.  
(3½ Years Programme)

Roll No. ....

Subject: Investment & Port Folio Management  
PAPER: MC-608

TIME ALLOWED: 3 hrs.  
MAX. MARKS: 100

**NOTE: Attempt any FIVE questions. All questions carry equal marks.**

Q. No. 1 What is meant by indirect investing and explain the advantages and disadvantages of indirect investing.

Q No. 2. Briefly answer the following questions:

- Define the components of total return. Can any of these components be negative?
- What is equity risk premium?
- What are the inputs for a set of securities using Markowitz model?
- What is meant by assets allocation decisions? How important is this decision?
- What is the difference between initial public offering (IPO's) and Private placement?

Q. No.3. Briefly answer the following questions:

- What is the efficient capital market (ECM) and what does the efficient market hypothesis (EMH) imply for the use of technical analysis?
- What are market anomalies and explain any two?
- What are the implications of behavioral finance for investors?
- What is the "typical" business cycle – stock price relationship?
- What is the historical relationship between stock prices, corporate performance, and interest rate?

Q. No.4. You have been asked for your advice in selecting a portfolio of assets and have been given the following data:

Year	Historical Returns		
	Asset A	Asset B	Asset C
2013	12%	16 %	10%
2014	14%	14%	12%
2015	16%	12%	08%

You have been told that you can create two portfolios—one consisting of assets A and B and the other consisting of assets A and C—by investing equal proportions (50%) in each of the two component assets.

- What is the expected return for each of the two portfolios?
- What is the standard deviation and coefficient of variation (CV) for each portfolio?
- Which portfolio of assets do you recommend to risk averse investor? Explain.

Q.No.5 Part (A). Why would you expect a relationship between economic activity and stock price movements?

Part (B) Mr.Hasaan purchased 100 shares of Unilever Brothers at Rs.100 per share on January1, 2014 and sold at Rs.90 per share on December 31, 2015. Mr.Hasaan received dividend Rs.10 during 2014 and Rs.20 during 2015.

Required:

- Compute the holding period return earned by Mr. Hasaan.
- Compute the effective annualized return earned by Mr. Hasaan.

PTO

**Part (C)** From the following information, calculate expected risk (standard deviation and coefficient of variation) of a portfolio that consists of three stocks i.e. L, M and N. Assume investment strategy is to invest equally in three stocks.

	<b>L-Stock</b>	<b>M-Stock</b>	<b>N-Stock</b>
Expected Return	12 %	16 %	14 %
Expected Standard Deviation	10 %	20 %	14 %

Coefficient of correlation between L & M's return is -0.50, between L&N's return is 0.30 and between M & N is zero.

**Q. No.6.** Following information is related to the year ahead.

Expected return on market portfolio (expected market return)	10%
Expected return on risk free asset	7%
Expected inflation in the year ahead	5%
Beta for risky security A	1.5%
Beta for risky security B	0.5%
Beta for risky security C	-1.5%

You are required to:

- i. Calculate the required rate of return for risky securities (A, B and C) by using capital asset pricing model (CAPM).
- ii. Calculate the required rate of return for the portfolio of security A & C if investment strategy is to invest equally in these two securities.
- iii. What is the beta for market portfolio and risk free asset?
- iv. Draw security market line (SML) and indicate the position of risk free asset, market portfolio, security A, security B, security C and Portfolio of security A & C on SML
- v. Calculate the risk premium for market portfolio, security A, security B, security C and Portfolio of security A & C.
- vi. Compare the findings of above parts (i to v) and suggest which investment will be more efficient.
- vii. If expected rate of inflation will increase by 1% then what will be its impact on the SML drawn in part iv above?

**Q. No.7** You had Rs.50,000 in a margin account on January 1, 2015. Initial margin 50% was required by this account. You purchased some shares of Maple Leaf Cement on January 1, 2015 at market price Rs.150 per share. Your borrowing rate was 6%. Maintenance margin required by this account was 40%. Broker charged Rs.1000 annual fee for account management.

- i. How many shares of Maple Leaf Cement, you purchased through margin account on January 1, 2015.
- ii. Suppose you hold this investment for one year; determine the rate of return on your margin account if the price of Maple Leaf Cement on December 31, 2015 was Rs.200 per share
- iii. Determine the market price at which broker will make margin call.
- iv. If on June 30, 2016, due to economic recession prices suddenly fell to Rs. 50. Calculate the value of investment on this date and draw balance sheet of you margin account on this date.
- v. What was the actual margin of Maple Leaf Cement on June 30, 2016?
- vi. How much cash deposit into margin account was required by your broker?