

UNIVERSITY OF THE PUNJAB



Part-I: Annual-2017
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'? Briefly explain major disciplines that contribute to OB.
2.	What is 'Attitude'? Give details of 'Job Satisfaction'.
3.	Define 'Personality'. Briefly explain key traits in Big Five personality model and also explain how they predict work behavior.
4.	Explain "motivation". Explain 'McClelland's Theory of Need'.
5.	What do you know about 'Leadership'? Differentiate between 'Transformational Leadership' and 'Transactional Leadership'.
6.	Define 'Stress'. Elaborate various causes of organizational stress.
7.	What is "Conflict"? Also explain in detail "conflict process".



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Part-I: Annual-2017
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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 Explain why wealth maximization, rather than profit maximization, is the firm's goal and how the agency issue is related to it?
- Q.2 Ms. Anna was seriously injured in an industrial accident. She sues the responsible parties and was awarded a judgment of \$250000. Today, she and her attorney are attending a settlement conference with the defendants. The defendants have made an initial offer of \$20000 per year for the next 20 years. Anna plans a counteroffer at \$30000 per year for the next 20 years. Both the offer and counter offer have a present value of \$250000, the amount of judgment. Both payments assume at the end of each year.
- What interest rate assumption have the defendants used in their offer?
 - What interest rate assumption have Anna and her lawyer used in their counteroffer?
 - Anna is willing to settle for an annuity that carries the 7% interest rate assumption, what annual payment would be acceptable to her?
- Q.3 Storico Co. just paid a dividend of \$2.75 per share. The company will increase its dividend by 20% for the next 2 years and then it will reduce its dividend growth rate by 10% per year for the next three years, after which the company will keep 5% growth rate forever. If the required rate of return on Storico stock is 13%, what will a share of stock sell for today?
- Q.4 Wild Side Inc most recently sold 100000 units at \$9.50 each; its variable operating costs are \$4.00 per unit, and its fixed operating costs are \$250000. If there is a strong expansion in the economy, then the sales will be 40% higher. And if there is a recession, then sales will be 60% lower. Wild side has \$700000 debt issue with a 6% interest rate, and the firm has 8000 shares of \$5 (annual dividend) preferred stock outstanding. It currently has 20000 shares of common stock outstanding. Assume that the firm is subject to a 40% tax rate.
- At what level of sales in units would the firm break even on operations (that is EBIT=\$0)?
 - Using the current level of sales as a base, calculate the firm's degree of operating leverage.
 - Using the EBIT associated with the current level of sales as a base, calculate the firm's degree of financial leverage.
 - Using the EBIT associated with the current level of sales as a base, calculate the firm's degree of total leverage.
- Q.5 Goodwill Ltd. presently gives credit terms of "net 40 days". It has \$10 million in annual credit sales, and its average collection period is 40 days. Currently bad debts are 3% of sales. To stimulate sales, the company may give credit terms of "2/10, net-40 days". If it does instigate these terms, sales are expected to increase by 20%. After this change, bad debts will rise from 3% to 4% of sales. However the average collection period is expected to remain 40 days. It is expected that 75% customers will avail the cash discount. Variable cost is 80 percent on sales, and the company's before tax required rate on investment in receivables is 15 percent. Should the company increase its cash discount incentive?

PTO

Q.6 Consider the following two mutually exclusive projects with cash flows:

Years	Cash Flow (A)	Cash Flow (B)
0	\$ (200000)	\$ (200000)
1	80000	120000
2	80000	90000
3	80000	55000
4	80000	45000

If you require a 14 percent return on your investment, calculate:

- Payback period
- Net Present Value (NPV)
- Internal Rate of Return (IRR)
- Based on your answers in a) through c), which investment will you finally choose? Why?

Q.7 Complete the following Balance Sheet:

Assets	Amount (\$)	Liabilities & Owner's Equity	Amount (\$)
Cash		Accounts payable	
Accounts receivable		Long term debt	100000
Inventories		Common stock	
Fixed assets		Retained earnings	125000
Total assets		Total liabilities & equity	500000

Additional information:

- Debt ratio: 60%
- Quick ratio: 0.75 times
- Total assets turnover: 2 times
- Average collection period: 40 days
- Gross profit margin: 20%
- Inventory turnover ratio: 6 times

Calculations must be based on a 360 - day a year.

UNIVERSITY OF THE PUNJAB



Part-I: Annual-2017
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(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 What is globalization? Also briefly explain the causes of unemployment due to globalization.
- Q.2 Explain cultural environmental challenges which have to face by multinational enterprises?
- Q.3 What is meant by option? Explain call and put option and also elaborate currency call option and currency put option.
- Q.4 Foreign exchange market is the largest international financial market having its history from gold standard to floating exchange rate system. It involves foreign exchange transactions and foreign exchange quotations, briefly discuss.
- Q.5 What is bid rate, ask rate and spread? Also calculate bid ask spread percentage for following;

Name of Currency	Bid Rate	Ask Rate
US Dollar	Rs.106.32	Rs.107.65
Saudi Riyal	\$ 4.127	\$ 4.542
Great British Ponds	\$ 1.575	\$ 1.842
Japanese Yen	\$ 0.0097	\$ 0.0099
UAE Dirham	Rs. 29.49	Rs. 30.15
Indian Rupee	\$ 0.725	\$ 0.794

- Q.6 Define economic integration? Also discuss five following levels of Economic integration.
- Free trade area
 - Custom Union
 - Common Markets
 - Economic Union
 - Political Union.
- Q.7
- Explain the entry strategies followed by multinational corporations.
 - Benefits of foreign direct investment to home country



UNIVERSITY OF THE PUNJAB

Part-I: Annual-2017
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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 Define Management. Discuss the changes that are impacting manager's job.
What are the four functions of management?
- Q. 2 Explain the contributions of the Hawthorne studies to the field of Management.
- Q. 3 Differentiate between Motivators and Hygiene factors with examples. How these factors are related to motivation?
- Q. 4 Elaborate Hofstede's dimensions and the GLOBLE dimensions for assessing country cultures.
- Q. 5 What is meant by planning? What are the different types of plans?
- Q. 6 In a short essay explain with examples feed-forward, concurrent, and feedback controls
- Q.7 Write a short note on the following.
- The Boundary less Organization
 - Matrix and Project Structure.
 - Charismatic Leader
 - Formalization.

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Part-I: Annual-2017
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Roll No.

Subject: Principles of Marketing
PAPER: MC-505

TIME ALLOWED: 3 hrs.
MAX. MARKS: 100

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

- Q1. Explain the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction?
- Q2. Mention the psychological factors affecting the consumer behavior?
- Q3. Discuss brand development strategies marketers use to develop brands?
- Q4. Explain how wholesalers add value in the channel of distribution?
- Q5. Describe the major price adjustment strategies available with marketing manager?
- Q6. How do marketers obtain information from different sources for developing marketing information?
- Q7. List and describe the major promotion mix tools?



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Part-I: Annual-2017
Examination: M. Com.
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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** Briefly explain different sources of Funds available with the Bank. Explain statutory requirements regarding Banker's Fund.
- Q.2** Explain the duties of Collecting and paying Bank in respect of Crossed Cheque.
- Q.3** a) What are basic requirements for opening of individual's account with the Bank?
b) What are legal requirements for opening of following accounts with the Bank.
i) An illiterate person account.
ii) Minor's account.
- Q.4** What principles should be followed by a Bank before extending loan to the customer?
- Q.5** How would a Banker deal with customer cheque in following situation:-
i) Receiving Notice of Customer's death.
ii) Receiving Notice of Customer's Insanity
iii) Receiving Legal Order attaching customer's account.
- Q.6** Define Commercial Letter of Credit. Explain various types of Commercial Letter of Credit used in international trade.
- Q.7** Write short notes on:
i) Right of Set Off.
ii) Drawn Bonds.
iii) Interest Coupon.
iv) Pledge.

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Part-I: Annual-2017
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.

Q1: How can you understand yourself? Briefly explain the hindrances that may affect your Perception.

Q2: Identify the Stressors in one's life. What kind of strategies we should adopt to manage Time and Stress?

Q3: Why Active Listening is so important? Explain strategies to improve Emphatic Listening.

Q4: "You often get not what you deserve, but what you negotiate", explain the statement with different stages of Negotiation.

Q5: What is 'Effective Meeting'? Explain the strategies to conduct Meetings effectively.

Q6: What is Self-disclosure and how does it contribute to increase Self-awareness?

Q7: Write NOTES on the following:

- I. Importance of Goal-setting
- II. Why Teams Fail?

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Part-I: Annual-2017
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. Define development financial institutions (DFIs) and explain the role of DFIs in the economic development of a country like Pakistan.
- Q2. Define the term Modaraba and discuss the major business activities of Modarabas in Pakistan. Also discuss briefly the risks involved in investing in Modarabas.
- Q3. Define and discuss the concept of Venture Capital Investment. What are the regulations of Venture Capital business in Pakistan?
- Q4. What is a Capital market? Discuss different institutions that are a part of this market.
- Q5. Define Central Bank and elaborate the functions and role played by a Central Bank in the economic stability of a country.
- Q6. Write a detailed note on International Monetary Fund (IMF) including its major objectives and functions.
- Q7. Explain how stock exchange plays an important role in the development of financial markets.



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Part-II: Annual-2017
Examination:- M. Com.
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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.

1. Describe the importance of human resource management for an organization
2. What is job analysis? Explain job description, job specification and job evaluation is the output of job analysis.
3. Explain the classification of interviews. Also explain with examples the different types of interviews based on content.
4. Explain the difference between on-the-job and off-the-job training. Based on their advantages and disadvantages, which of these would you prefer and why? Also explain any three on-the-job and three off-the-job training techniques?.
5. Define performance appraisal and explain various methods of performance appraisal.
6. "You can either recruit internally or externally but it is better if you acquire internally". Do you agree with this statement? Explain in the context of merits and demerits of both internal and external sources of candidates. Also explain internal sources of candidates.
7. Write short note on the followings:
 - a. 360 degree feedback
 - b. Behaviorally Anchored Rating Scale
 - c. Career development
 - d. Employee Stock Ownership Program



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Part-II: Annual-2017
Examination:- M. Com.
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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 How does the supervision of research differ from the work of the foreman in a manufacturing plant?
- Q.2 What is the most difficult step in the setting of the standard time? What may be done to reduce the likelihood of error?
- Q.3 Define Job evaluation. What are the advantages of job evaluation to the employer?
- Q.4 Explain the merit & demerits of Owners Equity, How much its % do you recommend.
- Q.5 Explain the contribution of F.W. Taylor in development of scientific management concept.
- Q.6 Prepare a case for adoption of point system of merit rating and explain its limitations.
- Q.7 What is Feasibility Report? Explain the various steps used in developing best Feasibility Report for a paper Mill.
- Q.8 Explain the different approaches to planning strategically for operations in Manufacturing concern.



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Part-II: Annual-2017
Examination:- M. Com.
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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.

Question No 01: Define marginal costing? Discuss its merits and demerits?

Question No 02: SB LTD of Fiji makes blended tropical fruit drink in two stages. Fruit juices are extracted from fresh fruits and then blended in blending department. The blended juice are then bottled and packed for shipping in bottling department. The following information pertains to the operations of the blending department for June.

	Percent completed		
	Units	Materials	Conversions
Work in progress, beginning	20000	100%	75%
Started into production	180000		
Completed and transfer out	160000		
Work in progress, ending	40000	100%	25%
	Materials	conversion	
Work in progress beginning	Rs 25200	Rs 24800	
Cost added during June	Rs 334800	Rs 238700	

Required:

Assume that company uses the weighted average method. Prepare the cost of production report.

Question no 03:

H C, Inc. produces and sells many recreational products. The company has just opened a new plant to produce a folding camp cot that will be marketed through the United States. The following cost and revenue data relate to May, the first month of the plant operations:

Beginning inventory	0
Units produced	10000
Units sold	8000
Selling price per unit	Rs 75

Selling and administrative expenses:

Variable per unit	Rs 6
Fixed (total)	Rs 200000

Manufacturing costs:

Direct material cost per unit	Rs 20
Direct labour cost per unit	Rs 8
Variable manufacturing overhead cost	Rs 2
Fixed manufacturing overhead cost (total)	Rs 100,000

Management is anxious to see how profitable the new camp cot will be and has asked that an income statement be prepared for May.

Required:

1. Assume that the company uses absorption costing:
 - a. Determine the unit product cost.
 - b. Prepare an income statement for May.
2. Assume that the company uses the variable costing:
 - a. Determine the unit product cost
 - b. Prepare a contribution format income statement for May.

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Question no. 04:

Normal capacity of the fruits company is 18000 units and the unit sale price is Rs.2.50. Costs are;

	Variable (per unit)	Fixed
Direct material	Rs.0.700	
Direct labour	0.800	
Factory overhead	0.150	Rs.3000
Manufacturing cost	0.025	1290

Required:

1. Breakeven point in Rupees and in units and a proof of the answers.
2. Sales in Rupees required producing a profit of Rs.8250.

Question no 05:

The normal capacity of the plant is 20000 direct labour hour per month. At normal capacity, the budgeting factory overhead is Rs.2.10 per direct labour hour. Consisting of Rs.12000 fixed expenses and Rs.1.50 per hour variable expense. During June, the plant operated 18000 direct labour hours, with actual factory overhead of Rs.40000. The standard for capacity attained is 17500 hours

Required: An analysis of factory overhead using the two three and four variance method.

Question no 06:

The January 1 cash balance of the Cowan Company is Rs 5000. Sales for the first month of the year are expected to be as follows: January Rs 65,000; February, Rs 54,000; March, 66,000 and April Rs 63,000. On January 1, uncollected account for November and December of previous year are Rs 13,500 and Rs 39,150 respectively. Collection from customer follows this pattern; 55% in the month of sale, 30% in the month following the sales, 13% in the second month following the sales and 2% uncollectible.

Materials purchases for December were Rs 10,000. Forecast purchases for the coming year are; January Rs 12,500; February, Rs 16,500; March, Rs 13,000; and April Rs 14,000. Purchases are usually paid by the 10th of the month following the month of purchase. Other cash expenditure of Rs 41,000 is forecasted for each month.

Required:

1. Expected cash collection during February.
2. Expected cash balance, February 1.
3. Expected cash balance, February 28

Question No 07:

The controller of Longwood hospital prepared the following statement of operations comparison 19A to 19B.

	19B	19A
Inpatient service days	330,000	300,000
Patient service revenue	Rs. 13,860,000	Rs.12,000,000
Costs of services render:		
Medicine, linens and other supplies	Rs. 1,400,000	Rs.1,000,000
Salaries – nurses, interns resident staff	9,000,000	7,500,000
Patient service overhead	1,500,000	1,500,000
Total cost of services render	11,900,000	100,000,000
Gross profit	1,960,000	2,000,000
Administrative expenses	20,130,000	1,800,000
Excess of revenue over expenditure	Rs.(53,000)	Rs.200,000

Required:

An analysis of the gross profit, including the revenue price, revenue volume, cost price, cost volume, revenue mix, and final sales volume variance.

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Part-II: Annual-2017
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 What is a Scientific Business Research? Discuss the hallmarks of scientific research. (5+ 15)
- Q. 2 What is a research proposal? Discuss the essential contents of a research proposal with the help of an example. (5 + 15)
- Q. 3 What are the different methods of Data Collection in business research? Explain the Principles of a Questionnaire design. (5 + 15)
- Q. 4 What is the goodness of measures?. Explain various types of validity (5+15)
- Q. 5 What is the concept of sampling? How sampling helps in achieving the precision and confidence in research. (5 + 15)
- Q. 6 What is a Research Design? What are the various issues to consider while making a thorough research Design? (5+15)
- Q. 7 Why is operational definition needed? Explain the process of operationalization with the help of an example. (5 +15)



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Part-II: Annual-2017
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. Explain the process of creating a **digital signature** for secure transaction. Draw diagram to explain the answer.
2. Discuss benefits and limitations of different types of internet ads.
3. What is domain name? What are different types of domain name? Also give examples of different types of domain names.
4. Discuss different Business to Business (B 2 B) models in detail.
5. Define management reporting system. Discuss the factors which influence management reporting system.
6. Describe the functional areas involved in purchase and cash disbursement activates in detail.
7. Explain conceptual fixed asset system and also discuss internal control system for/in fixed asset system.

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Part-II: Annual-2017
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.

1. Define leadership and explain various roles of a good leader
2. Who is customer? Explain in details the customer perceptions of quality
3. What are the steps used in benchmarking of organizational products and services?
Explain
4. What is ISO 9000 and 9001? Highlight the benefits of ISO 9000 (QMS).
5. What are the seven basic steps to strategic quality planning as specified by John R. Dew
in the concept of leadership?
6. Highlight and explain the 14 principles/points of management of Dr. Deming.
7. Write short notes on the following:
 - a. Cause & Effect Diagram
 - b. Synergy
 - c. Forcefield analysis
 - d. Quality Awareness



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Part-II: Annual-2017
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. Name the various functions of language exemplified by the following sentences?
 - i. I apologize for my misbehavior in the class.
 - ii. Keep calm while sitting in the examination hall.
 - iii. That is really great!
 - iv. Snowflakes! fall gently
Cover me with your cold icy kisses.
 - v. The son promised his mother to work hard.
 - vi. Are you OK?
 - vii. I accept your offer of playing chess with me.
 - viii. The Ravi is in Lahore.
 - ix. How do you do?
 - x. Gilgat-Baltistan is the fifth province of Pakistan.
 - xi. Keep off the wet grass.
 - xii. The Salt Mines are in Kheura.
 - xiii. Gujranwala is famous for its delicious foods.
 - xiv. Alas!
 - xv. Help the needy.
 - xvi. How good you are looking today!
 - xvii. Never tell a lie.
 - xviii. Stand up and raise your hands.
 - xix. Oh! It is my pleasure, you are here.
 - xx. Hurrah!
2. Give the Subject Term, Predicate Term, Quality and Quantity of the following propositions. Also state the Distribution or Undistribution of the Subject and Predicate Terms.
 - i. Some batsmen are good bowlers.
 - ii. Some people are not greedy.
 - iii. No Hindus are sincere.
 - iv. All businessmen are sharp.
3. State the Contrapositives of the following by using Obversion and conversion.
 - i. All poets are sensitive.
 - ii. No politicians are patriot.
 - iii. Some teachers are very devoted.
 - iv. Some people are not cunning..

(P.T.O.)

4. **State the Contradictories, Contraries, Subcontraries and Subalternation of the following proposition. Also draw the diagram of the Square of Opposition. (Write 'Not Applicable' if a certain relation does not exist)**

- i. All singers are not melodious.
- ii. No whales are fishes.
- iii. Some animals are cats.
- iv. Some parrots are not green.

5. **Using Venn Diagram, test the Validity and Invalidity of the following syllogisms.**

- i. AOO-3
- ii. EAE-1
- iii. IAI-1
- iv. OAO-4
- v. EIO-1

6. **Write the following statements in symbolic form.**

- i. Masqat and Iran do not both raise the price of oil.
- ii. Masqat and Iran both do not raise the price of oil.
- iii. It is not the case that either Masqat or Iran raises the price of oil.
- iv. Either it is not the case that Masqat or Iran raises the price of oil.
- v. Masqat raises the price of oil unless Libya does so.
- vi. If Masqat raises the price of oil, Libya does so.
- vii. Masqat raises the price of oil only if Libya does so.
- viii. Masqat's raising the price of oil is a necessary condition for Libya to raise the price of oil.
- ix. Iran's raising the price of oil is a sufficient condition for Libya to raise the price of oil.
- x. It is not the case that neither Kuwait nor Iran raises the price of oil.

7. **Use Truth Table to determine whether these statements are Tautology, Self Contradictory or Contingent.**

- i. $[\sim p \cdot (p \supset q)] \vee \sim q$
- ii. $p \supset [p \cdot \sim (q \vee \sim q)]$

UNIVERSITY OF THE PUNJAB



Part-II: Annual-2017
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 investment and explain the characteristics of financial asset.

Q No. 2. Briefly answer the following:

- What is difference between dividend yield and capital yield?
- What is difference between open and closed ended mutual funds?
- What is meant by investment policy?
- What is the difference between risk tolerance and risk appetite?

Q. No. 3. Briefly answer the following:

- Differentiate between fundamental analysis and technical analysis.
- What are the factors which are considered while determining the intrinsic value of a stock ?
- What common assumptions do the CAPM and APT share? How do they differ in assumptions?

Q. No. 4. Following is the information about historical returns of three assets.

Year	Historical Returns		
	Unilever Pak	Hi-Noon	T-bills
2014	14%	18%	7%
2015	16%	16%	7%
2016	18%	14%	7 %

Investment strategy:

- Investing equally in each asset of a portfolio of two assets.
- Portfolio 1 (Unilever Pak and Hi-Noon); Portfolio 2 (Unilever Pak and T-bill)

Required:

- What is the expected return, SD and CV for each of the two portfolios?
- Which portfolio of assets do you recommend to risk averse investor? Explain.

PTO

Q. No. 5 Part (A) Briefly explain the procedure that is followed by individual investors while making investment in the secondary capital market.

Part (B) From the following information, calculate expected risk (standard deviation and coefficient of variation) of a portfolio that consists of three stocks i.e. X, Y and Z. Assume investment strategy is to invest equally in three stocks.

Securities	X-Stock	Y-Stock	Z-Stock
Expected Return	12 %	14 %	6 %
Expected Standard Deviation	10 %	16%	0%

Coefficient of correlation between X & Y's return is -0.50, between X & Z's return is zero and between Y & Z is also zero.

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

Expected return on market portfolio (expected market return)	10%
Expected real rate of return	2%
Expected inflation in the year ahead	4%
Beta for Apollo Textile	1.5
Beta for Zeel Pak Cement	0.5

Required:

- Calculate the required rate of return for risky securities (Apollo Textile and Zeel Pak Cement) by using capital asset pricing model (CAPM) and indicate the position of risk free asset, market portfolio, Apollo Textile and Zeel Pak Cement on SML
- If due to expected business recession, investors will become more risk averse and resultantly market portfolio risk premium is expected to rise by 2 %, then what will be the impact of this change on the SML drawn in part i above?

Q. No. 7 As a broker you are managing the investment account of Mr Khalid, who had Rs.60,000 in his margin account on January 1, 2016. Initial margin 60% is required by this account. He purchased some shares of Lucky Cement on January 1, 2016 at market price Rs.200 per share. His borrowing rate is 6%. Maintenance margin required by this account is 35%. You charged Rs.1000 annual fee for account management.

- He hold this investment for one year; determine the rate of return on his margin account if the price of Lucky Cement on December 31, 2016 was Rs.250 per share
- Determine the market price at which you will make margin call.
- If on June 30, 2017, due to economic downturn prices suddenly fell to Rs. 100. How much cash deposit into margin account is required by you from Mr. Khalid?