



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

MECHANICAL ENGINEERING

ASSIGNMENT

Course Name	: MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
Course Code	: A50010
Class	: III - B. Tech I Semester
Branch	: Mechanical Engineering
Year	: 2017 – 2018
Course Coordinator	: Dr .J.S.V. GOPALA SARMA, Professor & HOD, MBA Department.
Course Faculty	: Dr. J.S.V.GOPALA SARMA, Professor & HOD, MBA Department. Ms.Azara, Assistant Professor, MBA Department.

OBJECTIVES

To meet the challenge of ensuring excellence in engineering education, the issue of quality needs to be addressed, debated and taken forward in a systematic manner. Accreditation is the principal means of quality assurance in higher education. The major emphasis of accreditation process is to measure the outcomes of the program that is being accredited.

In line with this, Faculty of Institute of Aeronautical Engineering, Hyderabad has taken a lead in incorporating philosophy of outcome based education in the process of problem solving and career development. So, all students of the institute should understand the depth and approach of course to be taught through this question bank, which will enhance learner's learning process.

S. No	Question	Blooms Taxonomy Level	Course Outcome
ASSIGNMENT NO.1			
UNIT-I			
INTRODUCTION & DEMAND ANALYSIS			
1	Define Managerial Economics. Explain its nature and scope of Managerial Economics.	Remember	1
2	Define Law of Demand. State the assumptions and Exceptions of Law of Demand.	Remember	2
3	Describe the determinants of Demand.	Understand	2
4	Explain the significance/Importance of Elasticity of Demand.	Remember	2
5	Illustrate different types of Elasticity of Demand.	Apply	2
6	Identify the factors which are influencing/governing Elasticity of Demand.	Analyze	2
UNIT-II			
PRODUCTION & COST ANALYSIS			
1	Describe different types of Internal Economies.	Understand	3
2	Briefly explain different types of External Economies.	Remember	3
3	Discuss the significance and limitations of Break-Even Analysis.	Understand	3
4	Briefly Explain the classification of costs	Understand	3
5	You are required to Determine i)P/V Ratio (ii) Break Even Point in Value (iii) Sales required to earn a profit of Rs.4,50,000 and (iv) Profit when Sales		

S. No	Question	Blooms Taxonomy Level	Course Outcome									
	are Rs.21,60,000 from the following information Fixed Expenditure Rs.90,000 Variable Cost Per unit : Direct Material Rs.5 Direct Labour Rs.2 Direct Overheads 100% of Direct Labour Selling price per unit Rs.12.	Apply	3									
6	The following data are available from the records of a company Sales Rs.60,000 Variable cost Rs.30,000 Fixed Cost RS.15,000 You are required to i) Compute the P/V Ratio, Break-Even Point and Margin of Safety at this level. ii) Compute the above with the effect of 10% increase in selling price. iii) Compute the above with the effect of 10% decrease in selling price.	Understand	3									
7	The Sales Turnover and profit during two years were given as follows: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Years</th> <th>2003</th> <th>2004</th> </tr> </thead> <tbody> <tr> <td>Sales (Rs.)</td> <td>1,00,000</td> <td>1,20,000</td> </tr> <tr> <td>Profit (Rs.)</td> <td>15,000</td> <td>23,000</td> </tr> </tbody> </table> You are required to Compute the following: i) P/V Ratio ii) Fixed Cost iii) Break Even Point (Value) ii) Sales required to earn a profit of Rs.20,000 iii) Profit when Sales are Rs.1,25,000.	Years	2003	2004	Sales (Rs.)	1,00,000	1,20,000	Profit (Rs.)	15,000	23,000	Understand	3
Years	2003	2004										
Sales (Rs.)	1,00,000	1,20,000										
Profit (Rs.)	15,000	23,000										
UNIT-III												
MARKETS & NEW ECONOMIC ENVIRONMENT												
1	Define Perfect Competition. List out the features of Perfect Competition?	Remember	4									
2	Define Monopoly. Discuss the features of Monopoly?	Understand	4									
3	How to determine price under Perfect Competition? Illustrate.	Apply	4									
4	Discuss price-output determination in case of Monopoly.	Understand	4									
5	How to determine price- output in case of Monopolistic Competition? Discuss.	Apply	4									
ASSIGNMENT NO.2												
UNIT-III												
MARKETS & NEW ECONOMIC ENVIRONMENT												
1	Define Business. Explain its characteristics.	Remember	5									
2	Define Sole Trading. Describe the features, merits and demerits of Sole Trading?	Understand	5									
3	Define Partnership. State the features, merits and demerits of Partnership?	Remember	5									
4	Define Joint Stock Company. Illustrate the features, merits and demerits of Joint Stock Company.	Apply	5									
5	Distinguish between public company and private company.	Apply	5									
UNIT-IV												
CAPITAL BUDGETING												
1	Define Capital. Explain its significance.	Remember	6									
2	Describe different types of capital.	Create	6									
3	Discuss the factors which are influenced on working capital requirement.	Understand	6									
4	Define Capital Budgeting. Illustrate the significance and limitations of Capital Budgeting.	Apply	6									
5	The cost of a project is Rs.50,000 and annual cash inflows for the next five											

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	<p>years are given as follows:</p> <p>1st year Rs.25,000 2nd year Rs.25,000 3rd year Rs.25,000 4th year Rs.25,000 5th year Rs.25,000 Total <u>125,000</u></p> <p>What is the pay-back period for the project?</p>	Remember	6																																												
6	<p>A firm is considering two projects each with an initial investment of Rs.20,000 and a life of 4 years. The following is the list of estimated cash inflows after taxes and depreciation.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Proposal-I</th> <th>Proposal-II</th> <th>Proposal-III</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>12,500</td> <td>11,750</td> <td>13,500</td> </tr> <tr> <td>2</td> <td>12,500</td> <td>12,250</td> <td>12,500</td> </tr> <tr> <td>3</td> <td>12,500</td> <td>12,500</td> <td>12,250</td> </tr> <tr> <td>4</td> <td>12,500</td> <td>13,500</td> <td>11,750</td> </tr> <tr> <td>Total</td> <td>50,000</td> <td>50,000</td> <td>50,000</td> </tr> </tbody> </table> <p>Predict Accounting Rate of Return on (i) Average Capital (ii) Original Capital Employed.</p>	Years	Proposal-I	Proposal-II	Proposal-III	1	12,500	11,750	13,500	2	12,500	12,250	12,500	3	12,500	12,500	12,250	4	12,500	13,500	11,750	Total	50,000	50,000	50,000	Apply	6																				
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7	<p>A Company has an investment opportunity costing Rs.40,000 with the following expected net cash flow after taxes and before depreciation.</p> <table border="1"> <thead> <tr> <th>Years</th> <th>Net Cash Flows (Rs.)</th> <th>P.V. of Rs.1 @10% D.f</th> <th>P.V. of Rs.1 @15% D.f</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>7,000</td> <td>0.909</td> <td>0.870</td> </tr> <tr> <td>2</td> <td>7,000</td> <td>0.826</td> <td>0.756</td> </tr> <tr> <td>3</td> <td>7,000</td> <td>0.751</td> <td>0.658</td> </tr> <tr> <td>4</td> <td>7,000</td> <td>0.683</td> <td>0.572</td> </tr> <tr> <td>5</td> <td>7,000</td> <td>0.621</td> <td>0.497</td> </tr> <tr> <td>6</td> <td>8,000</td> <td>0.564</td> <td>0.432</td> </tr> <tr> <td>7</td> <td>10,000</td> <td>0.513</td> <td>0.376</td> </tr> <tr> <td>8</td> <td>15,000</td> <td>0.467</td> <td>0.327</td> </tr> <tr> <td>9</td> <td>10,000</td> <td>0.424</td> <td>0.284</td> </tr> <tr> <td>10</td> <td>4,000</td> <td>0.386</td> <td>0.247</td> </tr> </tbody> </table> <p>Using 10% as the cost of capital, Compute i) Pay- back period. (ii)Net Present Value @10% D.f. and 15% D.f. iii) Profitability Index @10% D.f.and iv) IRR with the help of 10% and 15% D.f.</p>	Years	Net Cash Flows (Rs.)	P.V. of Rs.1 @10% D.f	P.V. of Rs.1 @15% D.f	1	7,000	0.909	0.870	2	7,000	0.826	0.756	3	7,000	0.751	0.658	4	7,000	0.683	0.572	5	7,000	0.621	0.497	6	8,000	0.564	0.432	7	10,000	0.513	0.376	8	15,000	0.467	0.327	9	10,000	0.424	0.284	10	4,000	0.386	0.247	Understand	6
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1.	Define Financial Accounting. Explain the importance and Limitations of Financial Accounting.	Remember	7																																												
2.	Define Account. Illustrate different types and principles of Accounts (Rules of Debit and Credit).	Apply	7																																												
3.	Define Double Entry System. Describe the advantages and Disadvantages of Double Entry System.	Evaluate	7																																												
4.	List out different types of Accounting Concepts.	Understand	7																																												
5.	List out different types of Accounting Conventions.	Understand	7																																												
6.	Define Ratio Analysis. Describe the advantages/ significance and limitations of Ratio Analysis.	Remember	8																																												

7	<p>Write Journal Entries in the books of Mr. Bhavani Sankar from the following transactions</p> <p>2002, Jan.1st Business commenced with Rs.15,000 Jan.2nd . Cash paid into bank Rs.10,000 Jan. 3rd .Sold goods for cash Rs.7,000 Jan. 4th . Purchased goods from Vijay Rs.3,000 Jan. 5th . Machinery Purchased for Rs.5,000 Jan.30th Rent paid Rs.2,000 Jan 31st Depreciation charged on Machinery Rs.3,000 Jan 31st Depreciation charged on Furniture Rs.500</p>	Apply	7																																																																																																				
8	<p>Prepare Trial Balance of Mr.Ravikumar as on 31.12.2005 from the following balances:</p> <table border="0" style="width:100%"> <tr> <td style="width:50%">Rs.</td> <td style="width:50%">Rs.</td> </tr> <tr> <td>1. Capital 32,000</td> <td>16. Creditors 12,500</td> </tr> <tr> <td>2. Machinery 30,000</td> <td>17. Returns Outwards(P/R) 2,000</td> </tr> <tr> <td>3. Opening Stock 16,000</td> <td>18. Returns Inwards (S/R) 3,600</td> </tr> <tr> <td>4. Wages 50,000</td> <td>19. Drawings 2,000</td> </tr> <tr> <td>5. Carriage inwards 500</td> <td>20. Discount Allowed 750</td> </tr> <tr> <td>6. Salaries 5,000</td> <td>21. Discount Received 250</td> </tr> <tr> <td>7. Factory Rent 2,400</td> <td>22. Office Expenses 1,000</td> </tr> <tr> <td>8. Repairs 400</td> <td>23. Manufacturing Exp. 600</td> </tr> <tr> <td>9. Fuel & Power 2,500</td> <td>24. Bills Payable 6,500</td> </tr> <tr> <td>10. Buildings 40,000</td> <td>25. Bills Receivable 5,000</td> </tr> <tr> <td>11. Sundry Debtors 20,000</td> <td>26. Cash in Hand 2,400</td> </tr> <tr> <td>12. Sales 2,03,600</td> <td>27.Cash at Bank 15,400</td> </tr> <tr> <td>13. Purchases 1,22,000</td> <td>28.Office Rent 1,800</td> </tr> <tr> <td>14. Bank O.D 2,000</td> <td></td> </tr> <tr> <td>15. Suspense A/c (Cr)59,300</td> <td></td> </tr> </table>	Rs.	Rs.	1. Capital 32,000	16. Creditors 12,500	2. Machinery 30,000	17. Returns Outwards(P/R) 2,000	3. Opening Stock 16,000	18. Returns Inwards (S/R) 3,600	4. Wages 50,000	19. Drawings 2,000	5. Carriage inwards 500	20. Discount Allowed 750	6. Salaries 5,000	21. Discount Received 250	7. Factory Rent 2,400	22. Office Expenses 1,000	8. Repairs 400	23. Manufacturing Exp. 600	9. Fuel & Power 2,500	24. Bills Payable 6,500	10. Buildings 40,000	25. Bills Receivable 5,000	11. Sundry Debtors 20,000	26. Cash in Hand 2,400	12. Sales 2,03,600	27.Cash at Bank 15,400	13. Purchases 1,22,000	28.Office Rent 1,800	14. Bank O.D 2,000		15. Suspense A/c (Cr)59,300		Apply	7																																																																				
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9	<p>From the following Trial Balance and Adjustments, show Trading and Profit& Loss Account for the year ending 31-12-2003 and Balance Sheet as on that date in the books of Mr. Vijay.</p> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:5%">Sl. No.</th> <th style="width:40%">Heads of Accounts</th> <th style="width:5%">L.F</th> <th style="width:15%">Debit Balance (Rs.)</th> <th style="width:15%">Credit Balance (Rs.)</th> </tr> </thead> <tbody> <tr><td>1.</td><td>Electricity</td><td></td><td>14,000</td><td></td></tr> <tr><td>2.</td><td>Discount</td><td></td><td></td><td>22,000</td></tr> <tr><td>3.</td><td>Interest</td><td></td><td>16,000</td><td></td></tr> <tr><td>4.</td><td>Wages</td><td></td><td>50,000</td><td></td></tr> <tr><td>5.</td><td>Opening Stock</td><td></td><td>20,000</td><td></td></tr> <tr><td>6.</td><td>Rent</td><td></td><td>24,000</td><td></td></tr> <tr><td>7.</td><td>Sales</td><td></td><td></td><td>8,00,000</td></tr> <tr><td>8.</td><td>Purchases</td><td></td><td>3,00,000</td><td></td></tr> <tr><td>9.</td><td>Office Expenses</td><td></td><td>30,000</td><td></td></tr> <tr><td>10.</td><td>Land & Building</td><td></td><td>5,40,000</td><td></td></tr> <tr><td>11.</td><td>Salaries</td><td></td><td>90,000</td><td></td></tr> <tr><td>12.</td><td>Returns</td><td></td><td>20,000</td><td>10,000</td></tr> <tr><td>13.</td><td>Power, Gas and Water</td><td></td><td>30,000</td><td></td></tr> <tr><td>14.</td><td>Sundry Creditors</td><td></td><td></td><td>60,000</td></tr> <tr><td>15.</td><td>Capital</td><td></td><td></td><td>3,02,000</td></tr> <tr><td>16.</td><td>Furniture</td><td></td><td>15,000</td><td></td></tr> <tr><td>17.</td><td>Sundry Debtors</td><td></td><td>60,000</td><td></td></tr> <tr><td>18.</td><td>Bills Payable</td><td></td><td></td><td>15,000</td></tr> <tr><td></td><td>TOTAL</td><td></td><td>12,09,000</td><td>12,09,000</td></tr> </tbody> </table> <p>Adjustments: 1. Closing Stock Rs.80,000. 2. Outstanding Salaries Rs.10,000.</p>	Sl. No.	Heads of Accounts	L.F	Debit Balance (Rs.)	Credit Balance (Rs.)	1.	Electricity		14,000		2.	Discount			22,000	3.	Interest		16,000		4.	Wages		50,000		5.	Opening Stock		20,000		6.	Rent		24,000		7.	Sales			8,00,000	8.	Purchases		3,00,000		9.	Office Expenses		30,000		10.	Land & Building		5,40,000		11.	Salaries		90,000		12.	Returns		20,000	10,000	13.	Power, Gas and Water		30,000		14.	Sundry Creditors			60,000	15.	Capital			3,02,000	16.	Furniture		15,000		17.	Sundry Debtors		60,000		18.	Bills Payable			15,000		TOTAL		12,09,000	12,09,000	Understand	7
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3. Depreciate Buildings by 10% p.a.																																															
10	<p>You are required to compute i) Debt Equity Ratio ii) Proprietary Ratio iii) Fixed Assets Ratio iv) Interest Coverage Ratio from the following Balance Sheet.</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital</td> <td>10,00,000</td> <td>Goodwill</td> <td>5,00,000</td> </tr> <tr> <td>6% Preference Share Capital</td> <td>5,00,000</td> <td>Plant & Machinery</td> <td>6,00,000</td> </tr> <tr> <td>General Reserve</td> <td>1,00,000</td> <td>Land & Building</td> <td>7,00,000</td> </tr> <tr> <td>Surplus (P&L A/c)</td> <td>4,00,000</td> <td>Furniture</td> <td>1,00,000</td> </tr> <tr> <td>12% Debentures</td> <td>5,00,000</td> <td>Stock- in -Trade</td> <td>6,00,000</td> </tr> <tr> <td>Creditors</td> <td>80,000</td> <td>Bills Receivables</td> <td>30,000</td> </tr> <tr> <td>Bank Overdraft</td> <td>20,000</td> <td>Debtors</td> <td>1,50,000</td> </tr> <tr> <td>Bills Payable</td> <td>1,24,000</td> <td>Bank Balance</td> <td>2,00,000</td> </tr> <tr> <td>Provision for Taxation</td> <td>1,76,000</td> <td>Marketable Securities</td> <td>20,000</td> </tr> <tr> <td></td> <td>29,00,000</td> <td></td> <td>29,00,000</td> </tr> </tbody> </table> <p>Other Information: Earnings Before Interest and Taxes (EBIT) Rs. 5,00,000</p>	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	Equity Share Capital	10,00,000	Goodwill	5,00,000	6% Preference Share Capital	5,00,000	Plant & Machinery	6,00,000	General Reserve	1,00,000	Land & Building	7,00,000	Surplus (P&L A/c)	4,00,000	Furniture	1,00,000	12% Debentures	5,00,000	Stock- in -Trade	6,00,000	Creditors	80,000	Bills Receivables	30,000	Bank Overdraft	20,000	Debtors	1,50,000	Bills Payable	1,24,000	Bank Balance	2,00,000	Provision for Taxation	1,76,000	Marketable Securities	20,000		29,00,000		29,00,000	Understand	8
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11	<p>You are required to compute i) Current Ratio ii) Quick Ratio / Acid Test Ratio iii) Absolute Quick Ratio from the following Balance Sheet.</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital</td> <td>10,00,000</td> <td>Goodwill</td> <td>5,00,000</td> </tr> <tr> <td>6% Preference Share Capital</td> <td>5,00,000</td> <td>Plant & Machinery</td> <td>6,00,000</td> </tr> <tr> <td>General Reserve</td> <td>1,00,000</td> <td>Land & Building</td> <td>7,00,000</td> </tr> <tr> <td>Profit & Loss A/c</td> <td>4,00,000</td> <td>Furniture</td> <td>1,00,000</td> </tr> <tr> <td>12% Debentures</td> <td>5,00,000</td> <td>Stock- in -Trade</td> <td>6,00,000</td> </tr> <tr> <td>Creditors</td> <td>80,000</td> <td>Bills Receivables</td> <td>30,000</td> </tr> <tr> <td>Bank Overdraft</td> <td>20,000</td> <td>Debtors</td> <td>1,50,000</td> </tr> <tr> <td>Bills Payable</td> <td>1,24,000</td> <td>Bank Balance</td> <td>2,00,000</td> </tr> <tr> <td>Provision for Taxation</td> <td>1,76,000</td> <td>Marketable Securities</td> <td>20,000</td> </tr> <tr> <td></td> <td>29,00,000</td> <td></td> <td>29,00,000</td> </tr> </tbody> </table>	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	Equity Share Capital	10,00,000	Goodwill	5,00,000	6% Preference Share Capital	5,00,000	Plant & Machinery	6,00,000	General Reserve	1,00,000	Land & Building	7,00,000	Profit & Loss A/c	4,00,000	Furniture	1,00,000	12% Debentures	5,00,000	Stock- in -Trade	6,00,000	Creditors	80,000	Bills Receivables	30,000	Bank Overdraft	20,000	Debtors	1,50,000	Bills Payable	1,24,000	Bank Balance	2,00,000	Provision for Taxation	1,76,000	Marketable Securities	20,000		29,00,000		29,00,000	Evaluate	8
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12	<p>From the following Balance Sheet, You are required to predict (1) Debt-Equity Ratio (2) Proprietary Ratio (3) Stock / Inventory Turnover Ratio (4) Average collection Period. (5) Current Ratio (6) Acid-Test Ratio / Quick Ratio.</p> <p style="text-align: center;">Balance Sheet of M/s. XYZ Ltd as on 31st March, 2003.</p> <table border="1"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount(Rs.)</th> </tr> </thead> <tbody> <tr> <td>Share Capital</td> <td>1,00,000</td> <td>Land Buildings</td> <td>1,25,000</td> </tr> <tr> <td>Reserves & Surplus</td> <td>65,000</td> <td>Plant & Machinery</td> <td>75,000</td> </tr> <tr> <td>5% Debentures</td> <td>1,00,000</td> <td>Stock / Inventory</td> <td>50,000</td> </tr> <tr> <td>Bills Payable</td> <td>7,000</td> <td>Book Debts</td> <td>10,000</td> </tr> <tr> <td>Sundry Creditors</td> <td>18,000</td> <td>Bills Receivable</td> <td>5,000</td> </tr> <tr> <td></td> <td></td> <td>Cash at Bank</td> <td>20,000</td> </tr> <tr> <td></td> <td></td> <td>Preliminary Expenses</td> <td>5,000</td> </tr> </tbody> </table>	Liabilities	Amount (Rs.)	Assets	Amount(Rs.)	Share Capital	1,00,000	Land Buildings	1,25,000	Reserves & Surplus	65,000	Plant & Machinery	75,000	5% Debentures	1,00,000	Stock / Inventory	50,000	Bills Payable	7,000	Book Debts	10,000	Sundry Creditors	18,000	Bills Receivable	5,000			Cash at Bank	20,000			Preliminary Expenses	5,000	Understand	8												
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		2,90,000		2,90,000		
	Other Information: Sales for the year Rs.6,00,000					
13	You are required to Compute i) Gross Profit Ratio ii) Net Profit Ratio iii) Operating Ratio iv) Operating Profit Ratio from the following Trading and Profit& Loss Account.				Remember	8
	Particulars	Amount Rs.	Particulars	Amount Rs.		
	To Opening Stock	30,000	By Net Sales	1,10,000		
	To Purchases	60,000	By Closing Stock	20,000		
	To Wages	10,000				
	To Gross Profit	30,000				
		1,30,000		1,30,000		
	To Administrative Expenses	10,000	By Gross Profit	30,000		
	To Selling & Distribution Expenses	5,000	By Sundry Receipt	5,000		
	To Net Profit	20,000				
		35,000		35,000		

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HOD, MECHANICAL ENGINEERING