



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)
Dundigal, Hyderabad -500 043

MECHANICAL ENGINEERING

TUTORIAL QUESTION BANK

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

The objectives of this course are to impart knowledge and abilities to the students to:

- I. To understand the concepts of managerial economics and financial analysis this helps in optimal decision making in business environment.
- II. To be familiar with demand concepts, types of methods or techniques of demand those are used by the entrepreneur or producer.
- III. To have a thorough knowledge on the production theories and cost while dealing with the production and factors of production.
- IV. To introduce the concepts of cost and significance, limitation of Break even analysis.
- V. An ability to study the various pricing methods which are adopted in attracting the potential customers for the different commodities.
- VI. To acquaint the significance of the project management, capital budgeting, estimation of the projects through capital budgeting methods for choosing the best and optimal projects.
- VII. To provide the optimal decisions acquiring the knowledge on financial accounting and management accounting.

S N o	QUESTION	Blooms taxonomy level	Course Outcome s
UNIT - I			
INTRODUCTION TO MANAGERIAL ECONOMICS			
Part - A (Short Answer Questions)			
1	Define Economics.	Remember	1
2	Define Managerial Economics.	Remember	1
3	Write a short note on Macro Economics	Analyze	1
4	Write a short note on Micro Economics.	Analyze	1
5	Explain Investment Decision.	Understand	1
6	State the Normative Statement.	Remember	1
7	Define demand.	Remember	2

8	Write short note on perfectly Price Inelastic Demand.	Understand	2
9	Discuss about the Giffen's Paradox.	Understand	2
10	Describe a short note on Relatively Price elastic Demand.	Understand	2
11	Describe Relatively Price Inelastic Demand	Remember	2
12	Define Elasticity of Demand.	Remember	2
13	Write short notes on Unit Price Elasticity of Demand	Understand	2
14	Write short note on perfectly price elastic Demand.	Understand	2
15	Write short note on cross elasticity of demand.	Understand	2
16	State Zero Income Elasticity of Demand	Remember	2
17	State Negative Income Elasticity.	Understand	2
18	State Unit Income Elasticity.	Understand	2
19	State Income Elasticity is greater than unity.	Understand	2
20	Discuss about Elastic Demand	Understand	2
21	Discuss about Inelastic Demand	Understand	2
Part - B (Long Answer Questions)			
1	Define Managerial Economics. Explain its nature.	Remember	1
2	Define Managerial Economics. Write its scope.	Analyze	1
3	Define Law of Demand. State the assumptions of Law of Demand.	Remember	2
4	Briefly explain the exceptions of Law of Demand.	Understand	2
5	Describe the determinants of Law of Demand.	Understand	2
6	Explain the significance/Importance of Elasticity of Demand.	Remember	2
7	Illustrate different types of Price Elasticity of Demand.	Apply	2
8	Write different types of Income Elasticity of Demand.	Apply	2
9	Identify the factors which are influencing Elasticity of Demand.	Analyze	2
10	Consider different methods of Cross Elasticity of Demand.	Understand	2
11	How to measure Price Elasticity of Demand under Total Expenditure Method? Explain.	Remember	2
12	Write about the Demand Function.	Analyze	2
13	Define Demand Forecasting. Illustrate different methods of Demand Forecasting.	Apply	2
14	Discuss the factors governing Demand Forecasting.	Understand	2
15	Illustrate Survey based Demand Forecasting methods with appropriate examples.	Remember	2
Part - C (Problem Solving and Critical Thinking Questions)			
1	Explain different types of Price Elasticity of Demand.	Remember	2
2	Explain different types of Income Elasticity of Demand.	Remember	2
3	Write different types of Cross Elasticity of Demand.	Apply	2
4	Write any two methods of Demand Forecasting	Apply	2
5	Explain Investment Decision.	Remember	1
6	Explain Price-output Decision.	Remember	1
7	Explain Input-output Decision.	Remember	1

8	State different types of Income Elasticity.	Understand	2
9	State different types of Price Elasticity.	Understand	2
10	State different types of Cross Elasticity.	Understand	2
UNIT - II			
PRODUCTION AND COST ANALYSIS			
Part – A (Short Answer Questions)			
1	Explain the Break Even Point.	Remember	3
2	Discuss about Iso- Cost.	Understand	3
3	Discuss about Iso- Quant.	Remember	3
4	Write short notes on Contribution.	Understand	3
5	State the meaning of Margin of Safety.	Remember	3
6	Write a note on opportunity cost	Analyze	3
7	Write Differences between explicit and implicit costs.	Analyze	3
8	Write short note on Profit and Volume Ratio.	Understand	3
9	Write short note on Angle of Incidence	Understand	3
10	Write the assumptions of BEA.	Analyze	3
11	Write short notes on Contribution.	Understand	3
12	State the meaning of Margin of Safety Ratio.	Remember	3
13	List out the assumptions of Break-Even Analysis.	Remember	3
14	State the exceptions of law of diminishing marginal utility.	Remember	3
15	List out the external economies of scale.	Remember	3
16	List out the External Economies of scale.	Remember	3
17	Write the formula for Contribution.	understand	3
18	Write the formula for Margin of Safety	Understand	3
19	Write the formula for P/V Ratio.	Understand	3
20	Write the formula for Break-Even Point (in value)	Understand	3
21	Write the formula for Break-Even Point (in units)	Understand	3
22	Write the formula for Margin of Safety Ratio	Understand	3
23	Write the formula for estimated sales at a desired profit.		
Part - B (Long Answer Questions)			
1	Describe different types of Internal Economies.	Understand	3
2	Briefly explain different types of External Economies.	Remember	3
3	Discuss the significance of Break-Even Analysis.	Understand	3
4	State the assumptions of Break Even Analysis.	Remember	3
4	State the limitations of Break-Even Analysis.	Remember	3
5	Define Production function. How can a producer find it usefulness? Illustrate.	Apply	3

6	State the features of Iso- Quants.	Remember	3									
7	State the features of Iso-Costs.	Remember	3									
8	Briefly Explain about the Cobb-Douglas Production Function.	Understand	3									
9	Briefly Explain the classification of costs	Understand	3									
10	Describe different types of External Economies.	Understand	3									
Part – C (Problem Solving and Critical Thinking)												
1	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 are Rs.21,60,000 from the following information Fixed Expenditure Rs.90,000 <u>Variable Cost Per unit :</u> Direct Material Rs.5 Direct Labour Rs.2 Direct Overheads 100% of Direct Labour Selling price per unit Rs.12.	Apply	3									
2	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									
3	The Sales Turnover and profit during two years were given as follows: <table style="margin-left: 40px;"><tr><td>Years</td><td>2001</td><td>2002</td></tr><tr><td>Sales (Rs.)</td><td>7,00,000</td><td>9,00,000</td></tr><tr><td>Profit/Loss (Rs.)</td><td>- 10,000</td><td>10,000</td></tr></table> You are required to Compute the following: i) P/V Ratio ii) Fixed Cost iii) Break Even Point in Value and Units iv) Sales required to earn a profit of Rs.40,000 v) Profit when Sales are Rs.12,00,000. The Selling Price per unit can be assumed at Rs.100	Years	2001	2002	Sales (Rs.)	7,00,000	9,00,000	Profit/Loss (Rs.)	- 10,000	10,000	Remember	3
Years	2001	2002										
Sales (Rs.)	7,00,000	9,00,000										
Profit/Loss (Rs.)	- 10,000	10,000										
4	The Sales Turnover and profit during two years were given as follows: <table style="margin-left: 40px;"><tr><td>Years</td><td>2005</td><td>2006</td></tr><tr><td>Sales (Rs.)</td><td>38,000</td><td>65,000</td></tr><tr><td>Profit/Loss (Rs.)</td><td>- 2,400</td><td>3,000</td></tr></table> You are required to compute the following: i) P/V Ratio ii) Fixed Cost iii) Break Even Point in Value and Units iv) Sales required to earn a profit of Rs.5,000 v) Profit when Sales are Rs.46,000. The Selling Price per unit can be assumed at Rs.10	Years	2005	2006	Sales (Rs.)	38,000	65,000	Profit/Loss (Rs.)	- 2,400	3,000	Evaluate	3
Years	2005	2006										
Sales (Rs.)	38,000	65,000										
Profit/Loss (Rs.)	- 2,400	3,000										
5	The Sales Turnover and profit during two years were given as follows: <table style="margin-left: 40px;"><tr><td>Years</td><td>2003</td><td>2004</td></tr><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></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										

6	<p>The Total Sales Turnover and Total Cost during two years were given as follows:</p> <table border="1"> <thead> <tr> <th>Years</th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>Total Sales (Rs.)</td> <td>42,500</td> <td>39,200</td> </tr> <tr> <td>Total Cost (Rs.)</td> <td>38,700</td> <td>36,852</td> </tr> </tbody> </table> <p>You are required to Compute the following:</p> <p>i) P/V Ratio ii) Fixed Cost iii) Break Even Point (Value) ii) Sales required to earn a profit of Rs.6,000 iii) Profit when Sales are Rs.47,500</p>	Years	2009	2010	Total Sales (Rs.)	42,500	39,200	Total Cost (Rs.)	38,700	36,852	Apply	3
Years	2009	2010										
Total Sales (Rs.)	42,500	39,200										
Total Cost (Rs.)	38,700	36,852										
7	<p>The Sales Turnover and profit during two years were given as follows:</p> <table border="1"> <thead> <tr> <th>Years</th> <th>2003</th> <th>2004</th> </tr> </thead> <tbody> <tr> <td>Sales (Rs.)</td> <td>1,40,000</td> <td>1,60,000</td> </tr> <tr> <td>Profit (Rs.)</td> <td>15,000</td> <td>20,000</td> </tr> </tbody> </table> <p>You are required to Compute the following:</p> <p>i) Break Even Point (Value) ii) Sales required to earn a profit of Rs.40,000 iii) Profit when Sales are Rs.1,20,000.</p>	Years	2003	2004	Sales (Rs.)	1,40,000	1,60,000	Profit (Rs.)	15,000	20,000	Evaluate	3
Years	2003	2004										
Sales (Rs.)	1,40,000	1,60,000										
Profit (Rs.)	15,000	20,000										
8	<p>You are given the following information about two companies in 2000.</p> <p>Sales Company A: Rs.50,00,000 Company B: Rs.50,00,000</p> <p>Fixed Expenses Company A: Rs.12,00,000 Company B: Rs.17,00,000</p> <p>Variable Expenses Company A: Rs.35,00,000 Company B: Rs.30,00,000</p> <p>You are required to show that i) P/V Ratio ii) B.E.P iii) Margin of Safety iv) MOS Ratio v) Profit at Desired Sales of Rs.80,00,000 vi) Sales at a profit of Rs.1,50,000 for each company from the above information.</p>	Remember	3									

UNIT-III
MARKETS AND NEW ECONOMIC ENVIRONMENT

Part - A (Short Answer Questions)

1.	Illustrate perfect competition.	Apply	4
2.	Explain about product differentiation	Understand	4
3.	Discuss about oligopoly.	Remember	4
4.	Identify the market skimming.	Create	4
5.	Describe the Block Pricing.	Understand	4
7.	State the equilibrium price.	Remember	4
9.	List out the features of Perfect Market.	Remember	4
12	Describe monopolistic competition.	Remember	4
13	Write short notes on Monopoly Competition.	Analyze	4
14	What is promotional pricing?	Understand	4
15	Define market.	Remember	4
16	Discuss about Duopoly	Remember	4
17	Define Monopolistic Competition Market.		
18	List out the features of Monopoly Market.	Remember	4
19	List out the features of Monopolistic Competition Market.	Remember	4
20	Illustrate Price Discrimination.	Apply	4

21	Write short note on Price Maker.	Analyze	4
22	Write short note on Price Taker.	Analyze	4
23	List out the features of Perfect Competition Market.	Remember	4
24	Discuss the Promotional Pricing	Understand	4
25	Explain about the Target Pricing.	Remember	4
26	Write short note Cost plus pricing.	Analyze	4
27	Discuss Marginal cost pricing.	Understand	4
28	Explain the Group Equilibrium.	Understand	4
29	List out the features of Sole Trading	Remember	4
30	List out the features of Partnership	Remember	4
31	List out the features of Company	Remember	4
32	List out the features of Public Enterprises	Remember	4
33	List out the merits of Sole Trading	Remember	4
34	List out the merits of Partnership	Remember	4
35	List out the merits of company	Remember	4
36	List out the demerits of Sole Trading	Remember	4
37	List out the demerits of Partnership	Remember	4
38	List out the demerits of Company	Remember	4
39	Write a short note on Common Seal	Analyze	4
40	What is globalization?	Understand	4
41	Define Business.	Remember	5
42	Illustrate the features of business.	Remember	5
43	Define sole trading.	Remember	5
44	Define Partnership	Remember	5
45	Define Company.	Remember	5
46	List out the features of company.	Remember	5
47	Define Public Enterprise.	Remember	5
48	State Public Corporation.	Remember	5
49	What is unlimited Liability?	Evaluate	5
50	List out different types of Partners.	Remember	5
51	Write any two differences between Public Company and Private company.	Analyze	5
52	Write a short note on Public Limited Company	Analyze	5
53	Write a short note on Private company	Analyze	5
54	Write a short note on Active Partner	Analyze	5
55	Write a short note on Minor Partner	Analyze	5
56	Write a short note on Partner by Estoppel	Analyze	5
Part – B (Long Answer Questions)			
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	Write differences between Perfect competition and Monopoly.	Apply	4
6	Write differences between perfect and imperfect market. Explain different types of Pricing.	Apply	4
7	Define Monopolistic Competition. Explain the features of Monopolistic Competition.	Remember	4
8	How to determine price- output in case of Monopolistic Competition? Discuss.	Apply	4
9	Define Business. Explain its characteristics.	Remember	5
10	Define Sole Trading. Describe the features, merits and demerits of Sole Trading?	Understand	5
11	Define Partnership. State the features, merits and demerits of Partnership?	Remember	5
12	Define Joint Stock Company. Illustrate the features, merits and demerits of Joint Stock Company.	Apply	5
13	Distinguish between public company and private company.	Apply	5
14	State the merits & demerits of different types of Public Enterprises.	Remember	5
15	Explain different types of Partners.	Understand	5
16	List out different types of companies.	Remember	5
Part – C (Problem Solving and Critical Thinking)			
1	How to determine price under Perfect Competition? Illustrate.	Apply	4
2	Discuss price-output determination in case of Monopoly.	Understand	4
3	Write differences between Perfect competition and Monopoly.	Apply	4
4	Write differences between perfect and imperfect market. Explain different types of Pricing.	Apply	4
5	Define Monopolistic Competition. Explain the features of Monopolistic Competition.	Remember	4
6	How to determine price- output in case of Monopolistic Competition? Discuss.	Apply	4
7	Define Business. Explain its characteristics.	Remember	5
8	Define Sole Trading. Describe the features, merits and demerits of Sole Trading?	Understand	5
9	Define Partnership. State the features, merits and demerits of Partnership?	Remember	5
10	Define Joint Stock Company. Illustrate the features, merits and demerits of Joint Stock Company.	Apply	5
UNIT-IV CAPITAL AND CAPITAL BUDGETING			
Part – A (Short Answer Questions)			
1	Write short note on the features of fixed capital.	Remember	6
2	Sketch the significance of capital.	Apply	6
3	Discuss the components of working capital.	Understand	6
4	Sketch working capital cycle.	Apply	6
5	Explain Debt Factoring.	Understand	6
6	Write different types of shares.	Analyze	6
7	Write a short note on commercial paper.	Remember	6
8	Write a formula for Pay- back period	Analyze	6
9	Write a formula for Average Rate of Return	Analyze	6
10	Write a formula for Net Present Value	Analyze	6
11	Write a formula for Profitability Index	Analyze	6

12	Write a formula for Internal Rate of Return	Analyze	6
13	Explain the meaning of payback period.	Remember	6
14	Write a note on profitability index.	Analyze	6
15	State the meaning of Net Present Value	Remember	6
16	Define Capital Budgeting	Remember	6
17	List out the Significance of Capital Budgeting	Remember	6
18	List out the limitations of Capital Budgeting	Remember	6
19	List out the factors which are influenced on working capital requirements.	Remember	6
20	State the meaning Average Rate of Return.	Remember	6

Part – B (Long Answer Questions)

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	Describe the advantages and Disadvantages of Pay-back Period.	Understand	6
5	State the advantages and Disadvantages of ARR Method.	Remember	6
6	Illustrate the advantages and Disadvantages of NPV Method.	Apply	6
7	Write the advantages and Disadvantages of IRR Method.	Analyze	6
8	Explain the advantages and Disadvantages of Profitability Index Method.	Remember	6
9	Define Capital Budgeting. Illustrate the significance and limitations of Capital Budgeting.	Apply	6
10	Illustrate the limitations of Capital Budgeting.	Apply	6

Part – C (Problem Solving and Critical Thinking)

1	<p>The cost of a project is Rs.50,000 and annual cash inflows for the next five 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																					
2	<p>X Ltd. is producing articles mostly by manual labour and is considering replacing it by a new machine. There are two alternative models M and N of the new machines. Prepare a statement of profitability showing the pay-back period from the following information:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">Machine-M</th> <th style="text-align: center;">Machine-N</th> </tr> </thead> <tbody> <tr> <td>Estimated Life</td> <td style="text-align: center;">4 years</td> <td style="text-align: center;">5 years</td> </tr> <tr> <td>Cost of machine</td> <td style="text-align: center;">Rs.90,000</td> <td style="text-align: center;">Rs.1,80,000</td> </tr> <tr> <td>Estimated Savings in scrap</td> <td style="text-align: center;">Rs.5,000</td> <td style="text-align: center;">Rs.8,000</td> </tr> <tr> <td>Estimated Savings in direct labour /wages</td> <td style="text-align: center;">Rs.60,000</td> <td style="text-align: center;">Rs.80,000</td> </tr> <tr> <td>Additional cost of Maintenance</td> <td style="text-align: center;">Rs.8,000</td> <td style="text-align: center;">Rs.10,000</td> </tr> <tr> <td>Additional cost of supervision</td> <td style="text-align: center;">Rs.12,000</td> <td style="text-align: center;">Rs.18,000</td> </tr> </tbody> </table>	Particulars	Machine-M	Machine-N	Estimated Life	4 years	5 years	Cost of machine	Rs.90,000	Rs.1,80,000	Estimated Savings in scrap	Rs.5,000	Rs.8,000	Estimated Savings in direct labour /wages	Rs.60,000	Rs.80,000	Additional cost of Maintenance	Rs.8,000	Rs.10,000	Additional cost of supervision	Rs.12,000	Rs.18,000	Understand	6
Particulars	Machine-M	Machine-N																						
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3	<p>There are two projects X and Y. Each project requires an investment of Rs.20,000. You are required to Rank these two projects according to pay-back period method from the following information: Net Profits Before Depreciation and After Tax (NPBDAT) for Two projects were given below:</p> <table border="1" data-bbox="269 348 1073 579"> <thead> <tr> <th>Years</th> <th>Project-X (Rs.)</th> <th>Project-Y (Rs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1,000</td> <td>2,000</td> </tr> <tr> <td>2</td> <td>2,000</td> <td>4,000</td> </tr> <tr> <td>3</td> <td>4,000</td> <td>6,000</td> </tr> <tr> <td>4</td> <td>5,000</td> <td>8,000</td> </tr> <tr> <td>5</td> <td>8,000</td> <td>Nil</td> </tr> </tbody> </table>	Years	Project-X (Rs.)	Project-Y (Rs.)	1	1,000	2,000	2	2,000	4,000	3	4,000	6,000	4	5,000	8,000	5	8,000	Nil	Apply	6															
Years	Project-X (Rs.)	Project-Y (Rs.)																																		
1	1,000	2,000																																		
2	2,000	4,000																																		
3	4,000	6,000																																		
4	5,000	8,000																																		
5	8,000	Nil																																		
4	<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" data-bbox="358 695 1073 900"> <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									
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																																	
5	<p>Company has an investment opportunity costing Rs.50,000 with the following expected net cash flows after taxes and before depreciation.</p> <table border="1" data-bbox="358 1031 1073 1226"> <thead> <tr> <th>Years</th> <th>Net Cash Flows (Rs.)</th> <th>P.V. of Rs.1 @10% D.f</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>20,000</td> <td>0.909</td> </tr> <tr> <td>2</td> <td>15,000</td> <td>0.826</td> </tr> <tr> <td>3</td> <td>25,000</td> <td>0.751</td> </tr> <tr> <td>4</td> <td>10,000</td> <td>0.683</td> </tr> </tbody> </table> <p>Using 10% as the cost of capital determine (i) Pay-back Period (ii) Discounted Pay-back Period (iii) Net Present Value @10% D.f. and (iv) Profitability Index @10% D.f.</p> <table border="1" data-bbox="347 1325 1073 1419"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> </tr> </thead> <tbody> <tr> <td>P.V. of Rs.1 @10% D.f</td> <td>0.909</td> <td>0.826</td> <td>0.751</td> <td>0.683</td> </tr> </tbody> </table>	Years	Net Cash Flows (Rs.)	P.V. of Rs.1 @10% D.f	1	20,000	0.909	2	15,000	0.826	3	25,000	0.751	4	10,000	0.683	Years	1	2	3	4	P.V. of Rs.1 @10% D.f	0.909	0.826	0.751	0.683	Understand	6								
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6	<p>No project is acceptable unless the yield is 10%. Cash Inflows of a certain project along with Cash outflows are given below:</p> <table border="1" data-bbox="399 1514 1073 1745"> <thead> <tr> <th>Years</th> <th>Cash Outflows (Rs.)</th> <th>Cash Inflows (Rs.)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>1,50,000</td> <td>-----</td> </tr> <tr> <td>1</td> <td>30,000</td> <td>20,000</td> </tr> <tr> <td>2</td> <td>----</td> <td>30,000</td> </tr> <tr> <td>3</td> <td>-----</td> <td>60,000</td> </tr> <tr> <td>4</td> <td>-----</td> <td>80,000</td> </tr> <tr> <td>5</td> <td>-----</td> <td>30,000</td> </tr> </tbody> </table> <p>The salvage value at the end of the 5th year is Rs.40,000. Predict (i) Net Present Value. P.V. of Rs.1 @10%D.f as per Present Value Tables given below:</p> <table border="1" data-bbox="347 1839 1073 1932"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>P.V. of Rs.1 @10% D.f</td> <td>0.909</td> <td>0.826</td> <td>0.751</td> <td>0.683</td> <td>0.621</td> </tr> </tbody> </table>	Years	Cash Outflows (Rs.)	Cash Inflows (Rs.)	0	1,50,000	-----	1	30,000	20,000	2	----	30,000	3	-----	60,000	4	-----	80,000	5	-----	30,000	Years	1	2	3	4	5	P.V. of Rs.1 @10% D.f	0.909	0.826	0.751	0.683	0.621	Apply	6
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7	<p>A Company has an estimated Life of 4 years and an investment opportunity costing Rs.2,50,000 with the following expected Net Cash flow After Taxes and Before Depreciation.</p> <table border="1" data-bbox="358 281 1073 478"> <thead> <tr> <th>Years</th> <th>Net Cash Flows (Rs.)</th> <th>P.V. of Rs.1 @24% D.f</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1,20,000</td> <td>0.806</td> </tr> <tr> <td>2</td> <td>90,000</td> <td>0.650</td> </tr> <tr> <td>3</td> <td>1,60,000</td> <td>0.524</td> </tr> <tr> <td>4</td> <td>30,000</td> <td>0.423</td> </tr> </tbody> </table> <p>Using 24% as the cost of capital predict the following: (i) Net Present Value @24% D.f. (ii) Profitability Index @24%D.f (iii) Pay-back Period (iv) Discounted Pay-back Period</p>	Years	Net Cash Flows (Rs.)	P.V. of Rs.1 @24% D.f	1	1,20,000	0.806	2	90,000	0.650	3	1,60,000	0.524	4	30,000	0.423	Remember	6																													
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8	<p>A project requires an investment of Rs.11,11,111 and is expected to generate cash inflows of Rs.3,33,333, Rs.4,44,444, Rs.5,55,555 Rs.4,44,444 and Rs.3,33,333 for the next 5 years. The Risk free cost of capital is 11%. Evaluate the project by using IRR Method with the help of 25% and 26% D.f. If a Risk premium of 9% is considered, how do you evaluate the project and do you observe any change in your earlier decision? Compute (i) Fake Pay-back period and(ii) IRR with the help of 25% and 26% D.f.</p> <table border="1" data-bbox="250 846 1070 999"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>P.V.Factor@25 %</td> <td>0.800</td> <td>0.640</td> <td>0.512</td> <td>0.410</td> <td>0.328</td> </tr> <tr> <td>P.V.Factor@26 %</td> <td>0.794</td> <td>0.630</td> <td>0.500</td> <td>0.397</td> <td>0.315</td> </tr> </tbody> </table>	Years	1	2	3	4	5	P.V.Factor@25 %	0.800	0.640	0.512	0.410	0.328	P.V.Factor@26 %	0.794	0.630	0.500	0.397	0.315	Understand	6																										
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9	<p>A project requires an investment of Rs.1,44,000 and is expected to generate cash inflows of Rs.54,000, Rs.63,000, Rs.72,000, Rs.63,000 and Rs.54,000 per annum for the next 5 years. Compute (i) IRR with the help of 31% and 32% D.f.</p> <table border="1" data-bbox="250 1121 1037 1276"> <thead> <tr> <th>Years</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>P.V.Factor@31 %</td> <td>0.763</td> <td>0.583</td> <td>0.445</td> <td>0.340</td> <td>0.259</td> </tr> <tr> <td>P.V.Factor@32 %</td> <td>0.758</td> <td>0.574</td> <td>0.435</td> <td>0.329</td> <td>0.250</td> </tr> </tbody> </table>	Years	1	2	3	4	5	P.V.Factor@31 %	0.763	0.583	0.445	0.340	0.259	P.V.Factor@32 %	0.758	0.574	0.435	0.329	0.250	Apply	6																										
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11	Compute the Accounting /Average Rate of Return (ARR) for the projects A and B on (i) Original Investment (ii) Average Investment from the following information.		Remember	6	
	Particulars	Project-A			Project-B
	Original Investment	Rs.20,000			Rs.30,000
	Expected Life (No salvage Value)	4 Years			5 Years
	Projected Net Income (PAT)				
	1 st Year	Rs. 2,000			Rs.3,000
	2 nd Year	1,500			3,000
	3 rd Year	1,500			2,000
	4 th Year	1,000			1,000
	5 th Year	Nil			1,000
	Total PAT	6,000	10,000		
If the required rate of return is 12% which project should be undertaken?					

UNIT-V
INTRODUCTION TO FINANCIAL ACCOUNTING AND RATIO ANALYSIS

Part - A (Short Answer Questions)

1	Define Financial Accounting.	Remember	7
2	Discuss the meaning of Journal Proper.	Understand	7
3	List out different types of Accounting Concepts.	Remember	7
4	Explain the meaning of Double Entry System.	Understand	7
5	State the meaning of purchase book	Remember	7
6	Define subsidiary books	Remember	7
7	Identify the meaning of trial balance.	Evaluate	7
8	State the errors of principle	Remember	7
9	Describe the Meaning of Errors of Omission	Understand	7
10	Write a note on provisions for doubtful debts.	Analyze	7
11	State the Meaning of Revenue Receipt	Remember	7
12	Explain the meaning of Contra Entry.	Understand	7
13	Illustrate the meaning of ledger account.	Apply	7
14	Explain the meaning of Capital Expenditure.	Understand	7
15	List out different types of Accounting Conventions.	Remember	7
16	Explain a short note on current ratio	Understand	8
17	Identify the formula for Operating ratio.	Apply	8
18	Write the formula for Debt Equity Ratio	Remember	8
19	Indicate the limitations of ratio analysis.	Remember	8
20	Discuss the Return on Capital Employed	Understand	8
21	Indicate the formula for debt collection period?	Understand	8
22	Define Ratio Analysis.	Remember	8
23	State the meaning of Price-Earnings Ratio.	Remember	8
24	Write the meaning of Earnings per share.	Analyze	8
25	Describe two types of capital structure ratios.	Understand	8
26	Identify different types of Activity Ratios.	Create	8
27	State the meaning of Interest Coverage Ratio.	Remember	8

28	Explain the meaning and computing procedure of Return on Capital Employed.	Understand	8
29	Identify the formulas for liquidity ratios.	Evaluate	8
30	What is the formula for Interest Coverage Ratio?	Understand	8
Part - B (Long Answer Questions)			
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.	State the advantages of the Journal.	Remember	7
7.	Illustrate the importance of the Ledger.	Apply	7
8.	Write the significance of Trial Balance.	Analyze	7
9.	Sketch different methods of preparing Trial Balance.	Apply	7
10.	Explain the importance of Trading Account.	Understand	7
11.	Illustrate the significance of Profit & Loss Account.	Apply	7
12.	Discuss the importance of Balance Sheet.	Understand	7
13.	Define Ratio Analysis. Describe the advantages/ significance and limitations of Ratio Analysis.	Remember	8
14.	Discuss different types of Liquidity Ratios.	Understand	8
15.	State different types of Activity Ratios.	Remember	8
16.	Explain different types of Capital Structure Ratios.	Understand	8
17.	Express different types of Profitability Ratios.	Remember	8
18.	Write formulas for of Liquidity Ratios.	Apply	8
19.	State the formulas for Activity Ratios.	Apply	8
20.	Explain the formulas for Capital Structure Ratios.	Apply	8
21.	Write the formulas for Profitability Ratios.	Apply	8
Part – C (Problem Solving and Critical Thinking)			
1	Write Journal Entries in the books of Mr. Sukumar from the following transactions 2008, Jan. 1 st Goods purchased from Raju on credit Rs.10,000 Jan 2 nd Goods purchased from Ramu Rs.20,000 Jan 3 rd Goods returned to Raju Rs.1,000 Jan 4 th Goods returned to Ramu Rs.2,000 Jan 5 th Goods sold to Suresh on credit Rs.30,000 Jan 6 th Goods sold to Mahesh Rs.40,000 Jan 7 th Goods returned from Mahesh Rs.4,000 Jan 8 th Goods returned by Suresh Rs.3,000 Jan 9 th Building sold to Venkat Rs.50,000 Jan 31 st Furniture purchased from Kishore Rs.5,000	Understand	7

2	<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
3	<p>Write Journal Entries in the books of Mr.Kiran from the following transactions</p> <p>2013, May 1st Insurance paid by cheque Rs.3,000 May 9th Telephone Rent Paid in cash Rs.2,000 May 10th Stationery Purchased for Rs.1,000 May 11th Telegrams sent to New Delhi Rs.2,500 May 12th Advertisement charges paid in cash Rs.5,000 May 13th Machinery Purchased for Rs.90,000 May 14th Furniture purchased for personal use Rs.30,000 May 13th Depreciation charged on Machinery Rs.9,000 May 14th Depreciation charged on Furniture Rs.3,000 May 15th Repairs Paid on Buildings Rs.15,000 May 16th Rent received for Rs.6,000</p>		
4	<p>Write Journal Entries in the books of Mr.Kishore from the following transactions</p> <p>2014, March 10th Goods purchased from Kamesh Rs.20,000 March 11th Goods returned to Kamesh Rs.2,000 March 12th Amount of Rs.17,500 paid to Kamesh in full settlement of his Account. March 13th Insurance Premium paid to LIC of India by cheque Rs.15,000 March 14th Commission received from Naresh Rs.5,000 March 15th Goods sold to Prasad on credit Rs.30,000 March 16th Prasad returned goods to us Rs.3,000 March 17th A cheque received from Prasad for full settlement of Rs.26,500.</p>		
5	<p>Write Journal Entries in the books of Mr.Pradeep from the following transactions</p> <p>2010, March 1st Business started by Rama Rao with cash Rs.40,000 , Cheque Rs.25,000 and Stock Rs.25,000. March 2nd Goods taken by proprietor for his personal use Rs.10,000 March 3rd Cash Taken for personal use Rs.5,000 March 4th Investment purchased for Rs. 8,000 March 5th Sale of Furniture for Rs.2,000 March 6th Goods sold to Ganesh for 10,000. March 7th Goods returned from Ganesh Rs.2,000 March 7th Cheque received from Ganesh for 3,000 March 8th Ganesh cheque was dishonoured. March 9th Ganesh became insolvent, 0.50 paise in a rupee was collected from his estate towards final settlement and the remaining balance being Bad Debts.</p>	Remember	7

6	<p>Write Journal Entries in the books of Mr. Siva Kumar from the following transactions.</p> <p>2010, Jan.1st Business started with cash Rs.30,000, Cheque Rs.20,000 and Stock Rs.10,000</p> <p>Jan 2nd Cash deposited in the Bank Rs.5,000</p> <p>Jan 3rd Cash withdrawn from the Bank Rs.3,000 for Office use</p> <p>Jan 4th Cash Withdrawn from the bank for personal use Rs.1,000</p> <p>Jan 5th Goods purchased from Raja on credit For Rs.5,000</p> <p>Jan 6th Goods returned to Raja Rs.1,000</p> <p>Jan 7th Cash paid to Raja Rs.3,600 in full settlement of his account Rs.4,000.</p>	Understand	7
7	<p>Write Journal Entries in the books of Mr. Siva Kumar from the following transactions.</p> <p>2010, Jan.1st Business started with cash Rs.50,000, Cheque Rs.30,000, Furniture Rs.20,000 and Stock Rs.20,000</p> <p>Jan 8th Goods sold to Arjun on credit for Rs.3,500</p> <p>Jan 9th Goods returned from Arjun Rs.500</p> <p>Jan 10th Arjun settled his account with amount of Rs.2,900</p> <p>Jan 11th Goods taken by proprietor for his personal use Rs.5,000</p> <p>Jan 12th Cash taken by proprietor for his domestic use Rs.2,000</p> <p>Jan 31st Telephone purchased for Domestic use Rs.10,000</p> <p>Jan31st Rent Paid for personal use Rs.5,000</p>		
8	<p>Write Journal Entries from the following in the books of Mr.Praveen.</p> <p>2009, Dec 1st Business stated with cash Rs.50,000, Stock Rs.30,000, Furniture Rs.10,000 and Machinery Rs.20,000.</p> <p>Dec 2nd Telephone charges paid in cash Rs.5,000</p> <p>Dec 3rd Transport charges paid by cheque Rs.3,000</p> <p>Dec 4th Advertisements charges paid to Naga Raju Rs. 4,000</p> <p>Dec 5th Dividend received from Ashok company Pvt.Ltd. Rs.2,000</p> <p>Dec 6th Furniture purchased for personal use Rs.5,000</p> <p>Dec 7th Rent paid to Landlord Ramana for Rs.8,000</p>	Apply	7
9	<p>Write Journal Entries from the following in the books of Mr.Prasad</p> <p>2010, Dec 1st Machinery purchased for Rs.15,000</p> <p>Dec 9th Building purchased for 1,00,000</p> <p>Dec 10th Computer purchased by cheque for Personal use Rs.20,000</p> <p>Dec 11th Investments sold for Rs.25,000</p> <p>Dec 12th Sale of Machinery for Rs.30,000</p> <p>Dec 13th Sale of Furniture for Rs.10,000</p> <p>Dec 14th Sale of Building for cash Rs.1,50,000</p> <p>Dec 31st Computer Sold by cheque Rs.15,000</p>		
10	<p>Write Journal Entries in the books of Gopal from the following:</p> <p>2008, May 1st Business started with Rs.60,000</p> <p>May 2nd Sale of Typewriter for Rs.1,000</p> <p>May 3rd Salaries paid to staff by cheque Rs.5,000</p> <p>May 4th Wages paid to Labour for Rs.15,000.</p> <p>May 5th Rent paid to Landlord Raja Rao Rs.8,000</p> <p>May 6th Interest received from Rajani Rs.2,000</p> <p>May 7th Commission received from Kamala Rs.3,000</p>	Remember	7

11	Record the following transactions in the books of Krishna Mohan. 2007, June 1 st Business started with cash Rs.25,000 and Cheque Rs.20,000 .June 2 nd Interest paid for Rs.5,000 June 3 rd Commission paid by cheque Rs.2,000 June 4 th Bad Debts written off on Debtors Rs.3,000 June 5 th Bad Debts recovered from Debtors Rs.1,500 June 6 th Rent paid to Naresh Rs.10,000	Understand	7
12	Write Journal Entries in the books Mr. Mahendra from the following transactions: 2006, April 1 st Business started with Cash Rs.1,00,000. April 2 nd Opened current account with Bank Rs.50,000 April 3 rd Interest received on Investment Rs.5,000 April 4 th Goods sold to Ramu for Rs.20,000 April 4 th Bills receivable Received from Ramu Rs.20,000 for 2 months. April 5 th The above Bills receivable was discounted at Bank at 19,800 April 6 th The above B/R was dishonoured.	Apply	7
13	Write Journal Entries in the books Mr. Mahendra from the following transactions: 2007, June 1 st Interest received from Raghu Rs.2,000 June 8 th Commission received from Kamesh Rs.7,000 June 9 th Cash paid to Srinivas Rs.6,000 June 10 th Cheque issued to Srikanth Rs.7,000 June 14 th Srikanth cheque was Dishonoured. June 15 th Cash received from Kiran Rs.8,000 June 16 th Cheque received from Gayathri Rs.10,000 June 20 th Gayathri cheque was dishonoured.		
14	Write Journal Entries in the books Mr. Mahendra from the following transactions: 2008, April 1 st Goods purchased from Pratap for cash Rs.10,000 April 8 th Goods sold to Mahesh on cash Rs.15,000 April 9 th Goods purchased from Sarat for Rs.12,000 April 10 th Acceptance (B/P) given to Sarat for 3 months for Rs.12,000 April 11 th The above B/P was dishonoured. April 12 th A cheque received from Hari for Rs.1,000 April 13 th Hari's Cheque was dishonoured. April 14 th A cheque issued to Malhotra for Rs.7,000 April 30 th Malhotra cheque was dishonoured.		
15	Record /consider the following transactions in the books of Mr.Kiran. 2009, July 1 st Business started with cash Rs.50,000 July 2 nd Cash deposited into Bank Rs.20,000 July 3 rd Cash Withdrawn from Bank Rs.10,000 July 4 th Cash taken from bank for personal use Rs.5,000 July 5 th Cash Paid to Mohan Rs.15,000 July 6 th Cash received from Amar Rs.8,000 July 7 th Cheque received from Bharat Rs.2,000	Understand	7

16	<p>Record the following transactions in the books of Mr.Bharat Kumar</p> <p>2010, July 1st Cheque Issued to Charan Rs.7,000 July 9th Machinery Purchased on cash Rs.12,000 July 10th Furniture sold for cash Rs.8,000 July 11th Salaries paid Rs.15,000 July 12th Rent received Rs.5,000 July 28th Rent paid to Landlord Rama Rao Rs.13,000 July 29th Commission received from Sujatha Rs.10,000 July 30th Goods purchased from Krishna on cash Rs.20,000 July 31st Goods sold to Gopal for cash Rs.30,00 July 31st Wages paid by cheque Rs.50,000</p>																																		
17	<p>Prepare Trial Balance of Mr.Ravikumar as on 31.12.2005 from the following balances:</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Rs.</th> <th style="text-align: right;">Rs.</th> </tr> </thead> <tbody> <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> </tbody> </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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18	<p>Prepare Trial Balance as on 31.12.2009 under balances method from the following information: Capital Rs.6,000; Cash in hand Rs. 500; Bills Receivable Rs.4,550 ; Land & Building Rs.6,000; Purchases Rs. 7,000; Sales Rs.8,000; Debtors Rs.3,300; Creditors Rs.600; Bills Payable Rs. 2,750; Bank Overdraft Rs.4,000.</p>	Remember	7																																
19	<p>Prepare Trial Balance as on 31.3.2002 under balances method from the following information Drawings Rs.4,000; Discount Allowed Rs. 1,500 ; Discount Received Rs. 500; Office Expenses Rs. 2,000; Manufacturing Expenses Rs. 1,200; Bills Payable Rs.17,000; Bills Receivable Rs.10,000; Cash in Hand Rs.4,800; Cash at Bank Rs.30,800; Office Rent Rs.3,600; Bharat Capital Rs.2,00,000; Machinery Rs. 60,000; Stock as on 1.4.2001 Rs. 32,000; Wages Rs.1,00,000; Carriage Inwards Rs.1,000; Salaries Rs.10,000;Factory Rent Rs. 4,800 ; Repairs Rs. 800; Fuel &Power Rs. 5,000; Furniture Rs. 11,000; Buildings Rs.80,000; Sundry Debtors Rs.40,000; Sales Rs.4,07,200; Purchases Rs.2,44,000; Creditors Rs.25,000; Returns Inwards Rs.7,200; Returns Outwards Rs.4,000.</p>	Understand	7																																

20	<p>Prepare Trial Balance of Mr.Rajaram as on 31.12.2005 from the following balances:</p> <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Rs.</td> <td style="text-align: center;">Rs.</td> </tr> <tr> <td>1. Sundry Debtors 32,000</td> <td>9. Stock as on 1.1.2005 22,000</td> </tr> <tr> <td>2. Cash in Hand 35</td> <td>10. Cash at Bank 1,545</td> </tr> <tr> <td>3. Plant & Machinery 17,500</td> <td>11. Sundry Creditors 10,650</td> </tr> <tr> <td>4. Trade expenses 1,075</td> <td>12. Sales 2,34,500</td> </tr> <tr> <td>5. Salaries 2,225</td> <td>13. Carriage Outwards 400</td> </tr> <tr> <td>6. Rent 900</td> <td>14. Bills Payable 7,500</td> </tr> <tr> <td>7. Purchases 2,18,870</td> <td>15. Discount Allowed 1,100</td> </tr> <tr> <td>8. Capital 79,500</td> <td>16. Business Premises 34,500</td> </tr> </table>	Rs.	Rs.	1. Sundry Debtors 32,000	9. Stock as on 1.1.2005 22,000	2. Cash in Hand 35	10. Cash at Bank 1,545	3. Plant & Machinery 17,500	11. Sundry Creditors 10,650	4. Trade expenses 1,075	12. Sales 2,34,500	5. Salaries 2,225	13. Carriage Outwards 400	6. Rent 900	14. Bills Payable 7,500	7. Purchases 2,18,870	15. Discount Allowed 1,100	8. Capital 79,500	16. Business Premises 34,500	Apply	7																																																										
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21	<p>You are required to show that Trial Balance as on 31.12.1998 from the following Information:</p> <p>(1) Land & Buildings Rs.2,750 (2) Plant & Machinery Rs.1,332 (3) Stock on 1.1.1998 Rs.4,173 (4) Sales Rs.20,783 (5) Purchases Rs.12,733 (6) Carriage inwards Rs.478 (7) Bad Debts Rs.225 (8) Wages Rs.1,227 (9) Debtors Rs.5,445 (10) Creditors Rs.2,429 (11) Discount Received Rs.763 (12) Discount Allowed Rs.824 (13) Furniture Rs.192 (14) Capital Rs.10,659 (15) General Expenses Rs.1,338 (16) Cash at Bank Rs.1,874 (17) Rent & Rates Rs.188 (18) Drawings Rs.1,855.</p>	Remember	7																																																																												
22	<p>Prepare Trading and Profit & Loss A/c and Balance Sheet of Mr. Mukharjee as at 31-12-1998 from the following Trial Balance</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Debit Balances</th> <th style="text-align: center;">Rs.</th> <th style="text-align: left;">Credit Balances</th> <th style="text-align: center;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Drawings</td> <td style="text-align: right;">12,000</td> <td>Sales</td> <td style="text-align: right;">2,80,800</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">1,80,000</td> <td>Discount</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">18,000</td> <td>Received</td> <td style="text-align: right;">4,000</td> </tr> <tr> <td>Rent & Taxes</td> <td style="text-align: right;">6,800</td> <td>Commission</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td>Travelling Expenses</td> <td style="text-align: right;">1,600</td> <td>Sundry Creditors</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Opening Stock</td> <td style="text-align: right;">75,000</td> <td>Loan</td> <td style="text-align: right;">1,00,000</td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">28,400</td> <td>Capital</td> <td></td> </tr> <tr> <td>Furniture</td> <td style="text-align: right;">12,000</td> <td></td> <td></td> </tr> <tr> <td>Sundry Debtors</td> <td style="text-align: right;">50,500</td> <td></td> <td></td> </tr> <tr> <td>Cash in Hand</td> <td style="text-align: right;">2,200</td> <td></td> <td></td> </tr> <tr> <td>Cash at Bank</td> <td style="text-align: right;">10,400</td> <td></td> <td></td> </tr> <tr> <td>Office Expenses</td> <td style="text-align: right;">2,500</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">30,000</td> <td></td> <td></td> </tr> <tr> <td>Freight & Carriage inwards</td> <td style="text-align: right;">4,000 800</td> <td></td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">1,600</td> <td></td> <td></td> </tr> <tr> <td>Discount Allowed</td> <td style="text-align: right;">2,000</td> <td></td> <td></td> </tr> <tr> <td>Returns Inwards (S/R)</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">4,37,800</td> <td></td> <td style="text-align: right;">4,37,800</td> </tr> </tbody> </table> <p>Adjustments: 1) Closing stock Rs.68,500</p>	Debit Balances	Rs.	Credit Balances	Rs.	Drawings	12,000	Sales	2,80,800	Purchases	1,80,000	Discount	3,000	Salaries	18,000	Received	4,000	Rent & Taxes	6,800	Commission	40,000	Travelling Expenses	1,600	Sundry Creditors	10,000	Opening Stock	75,000	Loan	1,00,000	Machinery	28,400	Capital		Furniture	12,000			Sundry Debtors	50,500			Cash in Hand	2,200			Cash at Bank	10,400			Office Expenses	2,500			Wages	30,000			Freight & Carriage inwards	4,000 800			Insurance	1,600			Discount Allowed	2,000			Returns Inwards (S/R)					4,37,800		4,37,800	Analyze	7 a
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24

Prepare Trading and Profit & Loss A/c and Balance Sheet of Mr. Mukharjee as at 31-12-1998 from the following Trial Balance

Debit Balances	Rs.	Credit Balances	Rs.
Drawings	12,000	Sales	2,80,800
Purchases	1,80,000	Discount	3,000
Salaries	18,000	Received	4,000
Rent & Taxes	6,800	Commission	
Travelling	1,600	Sundry Creditors	40,000
Expenses	75,000	Loan	10,000
Opening Stock	28,400	Capital	1,00,000
Machinery	12,000		
Furniture	50,500		
Sundry Debtors	2,200		
Cash in Hand	10,400		
Cash at Bank	2,500		
Office Expenses	30,000		
Wages	4,000		
Freight & Carriage	800		
inwards	1,600		
Insurance	2,000		
Discount Allowed			
Returns Inwards			
(S/R)			
	4,37,800		4,37,800

Adjustments:

1. Closing stock Rs.68,500
2. Outstanding Salaries Rs.10,000
3. Prepaid Insurance Rs.500
4. Provide Bad Debts on Debtors Rs.5,000
5. Depreciate Machinery by 10%

Remember

7

25

Prepare Trading, Profit & Loss A/c of Mr. Sukumar for the year ending 31-3-2007 and Balance Sheet as on that date from the following Trial Balance

Apply

7

Debit Balances	Rs.	Credit Balances	Rs.
Land	15,300	sales	41,460
Purchases	11,200	Returns Outwards	420
Salaries	2,200	(P/R)	240
Rent	600	Interest	4,120
Postage	300	Creditors	3,000
Opening Stock	3,100	Loan	12,000
Building	1,700	Capital	
Furniture	1,000		
Debtors	6,000		
Cash in Hand	1,300		
Stationery	240		
Wages	5,200		
Freight & Carriage inwards	560		
Miscellaneous Expenses	900		
Repairs	120		
Bad Debts	1,020		
Bad Debts	5,640		
Returns Inwards (S/R)	4,360		
	61,240		61,240

- Adjustments:**
1. Closing stock Rs.2,980
 2. Outstanding Salaries Rs.200
 3. Prepaid Rent Rs.60
 4. Provide 5% for Doubtful Debts on Debtors.

26	<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" data-bbox="298 281 1053 980"> <thead> <tr> <th>Sl. No.</th> <th>Heads of Accounts</th> <th>L.F</th> <th>Debit Balance (Rs.)</th> <th>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:</p> <ol style="list-style-type: none"> Closing Stock Rs.80,000. Outstanding Salaries Rs.10,000. Depreciate Buildings by 10% p.a. 	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 a
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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																																																																																																			
27	<p>From the following Balance Sheet, You are required to calculate (i) Gross Profit Ratio(ii) Debtors Turnover Ratio(iii) Average Collection Period (iv) Creditors Turnover Ratio (v) Average Payment Period (vi) Stock / Inventory Turnover Ratio</p> <p style="text-align: center;">Balance Sheet of M/s. XYZ Ltd as on 31st March, 2003.</p> <table border="1" data-bbox="248 1297 1086 1675"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount(Rs.)</th> </tr> </thead> <tbody> <tr> <td>Paid-up Capital</td> <td>15,00,000</td> <td>Fixed Assets</td> <td>16,50,000</td> </tr> <tr> <td>Reserves & Surplus</td> <td>6,00,000</td> <td>Stock-in-Trade /Closing Stock / Inventory</td> <td>9,10,000</td> </tr> <tr> <td>Debentures</td> <td>5,00,000</td> <td>Book Debts / Trade Debtors</td> <td>12,40,000</td> </tr> <tr> <td>Bank Overdraft</td> <td>2,00,000</td> <td>Investments (Short-Term)</td> <td>1,60,000</td> </tr> <tr> <td>Trade Creditors</td> <td>12,00,000</td> <td>Cash –in-hand</td> <td>40,000</td> </tr> <tr> <td></td> <td>40,00,000</td> <td></td> <td>40,00,000</td> </tr> </tbody> </table> <p>Other Information:</p> <ol style="list-style-type: none"> Annual Credit Sales amounted to Rs. 74,40,000. Gross Profit Rs. 7,44,000. Bank Overdraft is payable on demand. 	Liabilities	Amount (Rs.)	Assets	Amount(Rs.)	Paid-up Capital	15,00,000	Fixed Assets	16,50,000	Reserves & Surplus	6,00,000	Stock-in-Trade /Closing Stock / Inventory	9,10,000	Debentures	5,00,000	Book Debts / Trade Debtors	12,40,000	Bank Overdraft	2,00,000	Investments (Short-Term)	1,60,000	Trade Creditors	12,00,000	Cash –in-hand	40,000		40,00,000		40,00,000	Remember	8																																																																								
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29	<p>You are required to Compute General Profitability Ratios like (i) Gross Profit Ratio (ii) Net Profit Ratio (iii) Operating Ratio (iv) Operating Profit Ratio (v) Earnings per Share (EPS) (vi) Price Earnings Ratio (P/E Ratio) (vii) Cost of Goods Sold Ratio (viii) Administrative Expenses Ratio (ix) Selling & Distribution Expenses Ratio from the following Trading and Profit & Loss Account</p> <p>Trading and Profit & Loss A/c of Mr. Mukesh for the year ending 31-12-2008. Dr Cr</p> <table border="1" data-bbox="248 968 1089 1682"> <thead> <tr> <th>Particulars</th> <th>Amount Rs.</th> <th>Particulars</th> <th>Amount Rs.</th> </tr> </thead> <tbody> <tr> <td>To Opening Stock</td> <td>76,250</td> <td>By Net Sales</td> <td>5,00,000</td> </tr> <tr> <td>To Purchases</td> <td>3,15,250</td> <td>By Closing Stock</td> <td>98,500</td> </tr> <tr> <td>To Wages</td> <td>7,000</td> <td></td> <td></td> </tr> <tr> <td>To Gross Profit (B.F) (To be transferred to P&L A/c)</td> <td>2,00,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td>5,98,500</td> <td></td> <td>5,98,500</td> </tr> <tr> <td>To Administrative Expenses</td> <td>1,01,000</td> <td>By Gross Profit</td> <td>2,00,000</td> </tr> <tr> <td>To Selling & Distribution Expenses</td> <td>12,000</td> <td>By Non-operating Income</td> <td>6,000</td> </tr> <tr> <td>To Non-operating Expenses (Depreciation, Interest and Tax)</td> <td>9,000</td> <td></td> <td></td> </tr> <tr> <td>To Net Profit (B.F) (To be transferred to Capital A/c)</td> <td>84,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td>2,06,000</td> <td></td> <td>2,06,000</td> </tr> </tbody> </table> <p>Other Information:</p> <table border="1" data-bbox="248 1709 1122 1745"> <tr> <td>10,000 Equity Shares Market Price @ Rs.10 each</td> <td>Rs.1,00,000</td> </tr> </table>	Particulars	Amount Rs.	Particulars	Amount Rs.	To Opening Stock	76,250	By Net Sales	5,00,000	To Purchases	3,15,250	By Closing Stock	98,500	To Wages	7,000			To Gross Profit (B.F) (To be transferred to P&L A/c)	2,00,000				5,98,500		5,98,500	To Administrative Expenses	1,01,000	By Gross Profit	2,00,000	To Selling & Distribution Expenses	12,000	By Non-operating Income	6,000	To Non-operating Expenses (Depreciation, Interest and Tax)	9,000			To Net Profit (B.F) (To be transferred to Capital A/c)	84,000				2,06,000		2,06,000	10,000 Equity Shares Market Price @ Rs.10 each	Rs.1,00,000	Apply	8
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	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			

Prepared By: Dr.J.S.V.Gopala Sarma
Professor & HOD
MBA Department

HOD, MECHANICAL ENGINEERING