INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad -500 043

ELECTRONICS AND COMMUNICATION ENGINEERING

TUTORIAL QUESTION BANK

Course Name	:	**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**
Course Code	:	**A60010**
Class	:	III B. Tech II Semester
Branch	:	ELECTRONICS AND COMMUNICATION ENGINEERING
Year	:	2017 – 2018
Course Coordinator	:	Dr. J.S.V.GOPALA SARMA, Professor, Department of MBA
Course Faculty	:	Dr. J.S.V.GOPALA SARMA, Professor, Department of MBA Mr. M.RAMESH, Assistant Professor, Department of MBA

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	Questions	Blooms taxonomy level	Course Outcomes (COs)
	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	Understand	1
4	Write a short note on Micro Economics.	Understand	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.	Remember	2
11	Describe Relatively Price Inelastic Demand	Understand	2
12	Define Elasticity of Demand.	Understand	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.	Remember	2
19	State Income Elasticity is greater than unity.	Remember	2
20	Discuss about Elastic Demand	Understand	2
21	Discuss about Inelastic Demand	Understand	2
22	Describe a short note on Price Elasticity of Demand greater than unity.	Understand	2
23	Describe a short note on Price Elasticity of Demand less than unity.	Remember	2
24	State Income Elasticity is less than unity.	Remember	2
25	Write Cross Elasticity of Demand in case of Substitutes.	Understand	2
26	Write Cross Elasticity of Demand in case of Complimentary goods	Understand	2
27	Describe Cross Elasticity of Demand in case of unrelated goods	Remember	2
28	State the Law of Demand	Remember	2
29	State the meaning of Exceptional Demand Curve	Remember	2
30	List out the exceptions of Law of Demand	Remember	2
Part - B (Long Answer Questions)			
1	Define Managerial Economics. Explain its nature.	Remember	1
2	Define Managerial Economics. Write its scope.	Understand	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.	Understand	2
8	Write different types of Income Elasticity of Demand.	Understand	2
9	Identify the factors which are influencing Elasticity of Demand.	Understand	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.	Understand	2
13	Define Demand Forecasting. Illustrate different methods of Demand Forecasting.	Understand	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.	Understand	2
4	Write any two methods of Demand Forecasting	Understand	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	Understand	3
7	Write Differences between explicit and implicit costs.	Understand	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.	Understand	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)	Remember	3
22	Write the formula for Margin of Safety Ratio	Remember	3
23	Write the formula for estimated sales at a desired profit.	Understand	3
24	Explain the Managerial Economies	Remember	3
25	Explain the Commercial Economies	Remember	3
26	Discuss Financial Economies	Remember	3
27	Discuss Technical Economies	Remember	3
28	Write a short note on the Marketing Economies	Understand	3
29	Write a short note on the Economies of Concentration	Understand	3
30	Write a short note on the Economies of Welfare	Understand	3
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.	Understand	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 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.	Understand	3
2	You are required to Determine i)P/V Ratio (ii) Break Even Point in Value (iii) Sales required to earn a profit of Rs.12,500 and (iv) Profit when Sales are Rs.2,50,000 from the following information Fixed Overhead Rs.50,000 <u>Variable Cost Per unit :</u> Direct Material Rs.10 Direct Labour Rs.5 Direct Variable Overheads 60% of Direct Labour Selling price per unit Rs.25 Trade Discount 4%	Understand	3
3	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
4	The Sales Turnover and profit during two years were given as follows: **Years** **2001** **2002** Sales (Rs.) 7,00,000 9,00,000 Profit/Loss (Rs.) - 10,000 10,000 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	Remember	3

5	The Sales Turnover and profit during two years were given as follows: **Years** **2005** **2006** Sales (Rs.) 38,000 65,000 Profit/Loss (Rs.) - 2,400 3,000 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	Understand	3
6	The Sales Turnover and profit during two years were given as follows: **Years** **2003** **2004** Sales (Rs.) 1,00,000 1,20,000 Profit (Rs.) 15,000 23,000 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.	Understand	3
7	The Sales Turnover and profit during two years were given as follows: **Years** **2003** **2004** Sales (Rs.) 1,40,000 1,60,000 Profit (Rs.) 15,000 20,000 You are required to Compute the following: 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.	Understand	3
8	You are given the following information about two companies in 2000. **Sales** CompanyA:Rs.50,00,000 CompanyB:Rs.50,00,000 **Fixed Expenses** CompanyA:Rs.12,00,000 CompanyB:Rs.17,00,000 **Variable Expenses** CompanyA:Rs.35,00,000 CompanyB:Rs.30,00,000 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.	Remember	3

9	You are given the following information about two companies in 2000. **Sales** CompanyA:Rs.3,00,000 CompanyB:Rs.3,00,000 **Fixed Expenses** CompanyA:Rs.30,000 CompanyB:Rs.70,000 **Variable Expenses** CompanyA:Rs.2,40,000 CompanyB:Rs 2,00,000 **Profit** CompanyA:Rs.30,000 CompanyB:Rs 30,000 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.	Remember	3
10	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 fixed cost. iii) Compute the above with the effect of 10% decrease in variable cost.	Understand	3

UNIT-III
MARKETS AND NEW ECONOMIC ENVIRONMENT

Part - A (Short Answer Questions)

1.	Write a short note on the perfect competition.	Understand	4
2.	Explain the product differentiation	Understand	4
3.	State the equilibrium price.	Remember	4
4	List out the features of Perfect Market.	Understand	4
5	Describe the meaning of monopolistic competition.	Understand	4
6	Write short notes on Monopoly Competition.	Understand	4
7	Define market.	Remember	4
8	Discuss about Duopoly	Remember	4
9	Define Monopolistic Competition Market.	Understand	
10	List out the features of Monopoly Market.	Understand	4
11	List out the features of Monopolistic Competition Market.	Understand	4
12	Illustrate Price Discrimination.	Remember	4
13	Write short note on Price Maker.	Remember	4
14	Write short note on Price Taker.	Remember	4
15	List out the features of Perfect Competition Market.	Remember	4
16	Discuss the Promotional Pricing	Understand	4
17	Explain about the Target Pricing.	Remember	4
18	Write short note Cost plus pricing.	Remember	4
19	Discuss Marginal cost pricing.	Understand	4
20	Discuss about oligopoly.	Remember	4

21	Identify the market skimming.	Remember	4
22	Describe the Block Pricing.	Understand	4
23	Explain promotional pricing	Remember	4
24	Explain the Group Equilibrium.	Understand	4
25	List out the features of Sole Trading	Understand	4
26	List out the features of Partnership	Understand	4
27	List out the features of Company	Understand	4
28	List out the features of Public Enterprises	Understand	4
29	List out the merits of Sole Trading	Remember	4
30	List out the merits of Partnership	Remember	4
31	List out the merits of company	Remember	4
32	List out the demerits of Sole Trading	Understand	4
33	List out the demerits of Partnership	Understand	4
34	List out the demerits of Company	Understand	4
35	Write a short note on Common Seal	Understand	4
37	Define Business.	Remember	5
38	Illustrate the features of business.	Remember	5
39	Define sole trading.	Understand	5
40	Define Partnership	Understand	5
41	Define Company.	Understand	5
42	List out the features of company.	Understand	5
43	Define Public Enterprise.	Understand	5
44	State the meaning of unlimited Liability.	Understand	5
45	List out different types of Partners.	Understand	5
46	Write any two differences between Public Company and Private company.	Remember	5
47	Write a short note on Active Partner	Remember	5
48	Write a short note on Minor Partner	Remember	5
49	Write a short note on Partner by Estoppel	Understand	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.	Understand	4
4	Discuss price-output determination in case of Monopoly.	Understand	4
5	Write differences between Perfect competition and Monopoly.	Remember	4
6	Write differences between perfect and imperfect market. Explain different types of Pricing.	Remember	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.	Understand	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.	Understand	5
13	Distinguish between public company and private company.	Understand	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.	Remember	4
2	Discuss price-output determination in case of Monopoly.	Understand	4
3	Write differences between Perfect competition and Monopoly.	Understand	4
4	Write differences between perfect and imperfect market. Explain different types of Pricing.	Understand	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.	Understand	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.	Understand	5
11	Distinguish between Public company and private company.	Understand	5
12	Explain different types of partners.	Understand	5
UNIT-IV **CAPITAL AND CAPITAL BUDGETING**			
Part – A (Short Answer Questions)			
1	Write short note on the features of fixed capital.	Understand	6
2	Sketch the significance of capital.	Understand	6
3	Discuss the components of working capital.	Understand	6
4	Sketch working capital cycle.	Remember	6
5	Explain Debt Factoring.	Understand	6
6	Write different types of shares.	Remember	6
7	Write a short note on commercial paper.	Remember	6
8	Write a formula for Pay- back period	Understand	6
9	Write a formula for Average Rate of Return	Understand	6
10	Write a formula for Net Present Value	Remember	6
11	Write a formula for Profitability Index	Understand	6
12	Write a formula for Internal Rate of Return	Understand	6
13	Explain the meaning of payback period.	Remember	6
14	Write a note on profitability index.	Remember	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	Understand	6
19	List out the factors which are influenced on working capital requirements.	Understand	6
20	State the meaning Average Rate of Return.	Understand	6
21	Write short note on fixed capital.	Understand	6
22	Write short note on Working capital.	Understand	6
23	State the meaning of capital	Remember	6
24	State the meaning of Gross Working Capital	Remember	6
25	State the meaning of Net Working Capital	Remember	6
26	Write examples for Fixed Assets	Understand	6
27	Write examples for Current Assets	Understand	6
28	Explain the meaning of Equity Share	Understand	6
29	Explain the meaning of Preference Share	Remember	6
30	Explain the meaning of Debenture	Remember	6
	Part – B (Long Answer Questions)		
1	Define Capital. Explain its significance.	Remember	6
2	Describe different types of capital.	Understand	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.	Understand	6
7	Write the advantages and Disadvantages of IRR Method.	Understand	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.	Understand	6
10	Illustrate the limitations of Capital Budgeting.	Understand	6
	Part – C (Problem Solving and Critical Thinking)		
1	The cost of a project is Rs.50,000 and annual cash inflows for the next five years are given as follows: 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 125,000 What is the pay-back period for the project?	Remember	6

<table>
<tr><td>2</td><td>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:
<table>
<tr><th>Years</th><th>Project-X (Rs.)</th><th>Project-Y (Rs.)</th></tr>
<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>
</table>
</td><td>Remember</td><td>6</td></tr>
<tr><td>3</td><td>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.
<table>
<tr><th>Years</th><th>Proposal-I</th><th>Proposal-II</th><th>Proposal-III</th></tr>
<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>
</table>
Predict Accounting Rate of Return on (i) Average Capital
(ii) Original Capital Employed.
</td><td>Remember</td><td>6</td></tr>
<tr><td>4</td><td>Company has an investment opportunity costing Rs.50,000 with the following expected net cash flows after taxes and before depreciation.
<table>
<tr><th>Years</th><th>Net Cash Flows (Rs.)</th><th>P.V. of Rs.1 @10% D.f</th></tr>
<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>
</table>
Using 10% as the cost of capital determine
(i) Pay-back Period (ii) Net Present Value @10% D.f. and (iii) Profitability Index @10% D.f.
<table>
<tr><td>Years</td><td>1</td><td>2</td><td>3</td><td>4</td></tr>
<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>
</table>
</td><td>Understand</td><td>6</td></tr>
<tr><td>5</td><td>No project is acceptable unless the yield is 10%. Cash Inflows of a certain project along with Cash outflows are given below:
<table>
<tr><th>Years</th><th>Cash Outflows (Rs.)</th><th>Cash Inflows (Rs.)</th></tr>
<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>
</table>
The salvage value at the end of the 5^{th} 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:
<table>
<tr><td>Years</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<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>
</table>
</td><td>Understand</td><td>6</td></tr>
</table>

<table>
<tr>
<td>6</td>
<td>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.
<table>
<tr><th>Years</th><th>Net Cash Flows (Rs.)</th><th>P.V. of Rs.1 @24% D.f</th></tr>
<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>
</table>
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</td>
<td>Remember</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>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.
<table>
<tr><td>Years</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<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>
</table></td>
<td>Understand</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>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.
<table>
<tr><td>Years</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr>
<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>
</table></td>
<td>Understand</td>
<td>6</td>
</tr>
<tr>
<td>9</td>
<td>A Company has an investment opportunity costing Rs.40,000 with the following expected net cash flow after taxes and before depreciation.
<table>
<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>
<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>
</table>
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.</td>
<td>Understand</td>
<td>6</td>
</tr>
</table>

<table>
<tr><td>10</td><td>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.
<table>
<tr><td>Particulars</td><td>Project-A</td><td>Project-B</td></tr>
<tr><td>Original Investment</td><td>Rs.20,000</td><td>Rs.30,000</td></tr>
<tr><td>Expected Life (No salvage Value)</td><td>4 Years</td><td>5 Years</td></tr>
<tr><td>Projected Net Income (PAT)</td><td></td><td></td></tr>
<tr><td>1st Year</td><td>Rs. 2,000</td><td>Rs.3,000</td></tr>
<tr><td>2nd Year</td><td>1,500</td><td>3,000</td></tr>
<tr><td>3rd Year</td><td>1,500</td><td>2,000</td></tr>
<tr><td>4th Year</td><td>1,000</td><td>1,000</td></tr>
<tr><td>5th Year</td><td>Nil</td><td>1,000</td></tr>
<tr><td>Total PAT</td><td>6,000</td><td>10,000</td></tr>
</table></td><td>Remember</td><td>6</td></tr>
<tr><td colspan="4">UNIT-V
INTRODUCTION TO FINANCIAL ACCOUNTING AND RATIO ANALYSIS</td></tr>
<tr><td colspan="4">Part - A (Short Answer Questions)</td></tr>
<tr><td>1</td><td>Define Financial Accounting.</td><td>Remember</td><td>7</td></tr>
<tr><td>2</td><td>Discuss the meaning of Journal Proper.</td><td>Understand</td><td>7</td></tr>
<tr><td>3</td><td>List out different types of Accounting Concepts.</td><td>Remember</td><td>7</td></tr>
<tr><td>4</td><td>Explain the meaning of Double Entry System.</td><td>Understand</td><td>7</td></tr>
<tr><td>5</td><td>State the meaning of purchase book</td><td>Remember</td><td>7</td></tr>
<tr><td>6</td><td>Define subsidiary books</td><td>Remember</td><td>7</td></tr>
<tr><td>7</td><td>Identify the meaning of trial balance.</td><td>Understand</td><td>7</td></tr>
<tr><td>8</td><td>State the errors of principle</td><td>Remember</td><td>7</td></tr>
<tr><td>9</td><td>Describe the Meaning of Errors of Omission</td><td>Understand</td><td>7</td></tr>
<tr><td>10</td><td>Write a note on provisions for doubtful debts.</td><td>Understand</td><td>7</td></tr>
<tr><td>11</td><td>State the Meaning of Revenue Receipt</td><td>Remember</td><td>7</td></tr>
<tr><td>12</td><td>Explain the meaning of Contra Entry.</td><td>Understand</td><td>7</td></tr>
<tr><td>13</td><td>Illustrate the meaning of ledger account.</td><td>Understand</td><td>7</td></tr>
<tr><td>14</td><td>Explain the meaning of Capital Expenditure.</td><td>Understand</td><td>7</td></tr>
<tr><td>15</td><td>List out different types of Accounting Conventions.</td><td>Remember</td><td>7</td></tr>
<tr><td>16</td><td>Explain a short note on current ratio</td><td>Understand</td><td>8</td></tr>
<tr><td>17</td><td>Identify the formula for Operating ratio.</td><td>Understand</td><td>8</td></tr>
<tr><td>18</td><td>Write the formula for Debt Equity Ratio</td><td>Remember</td><td>8</td></tr>
<tr><td>19</td><td>Indicate the limitations of ratio analysis.</td><td>Remember</td><td>8</td></tr>
<tr><td>20</td><td>Discuss the Return on Capital Employed</td><td>Understand</td><td>8</td></tr>
<tr><td>21</td><td>Indicate the formula for debt collection period?</td><td>Understand</td><td>8</td></tr>
<tr><td>22</td><td>Define Ratio Analysis.</td><td>Remember</td><td>8</td></tr>
<tr><td>23</td><td>State the meaning of Price-Earnings Ratio.</td><td>Remember</td><td>8</td></tr>
<tr><td>24</td><td>Write the meaning of Earnings per share.</td><td>Understand</td><td>8</td></tr>
<tr><td>25</td><td>Describe two types of capital structure ratios.</td><td>Understand</td><td>8</td></tr>
<tr><td>26</td><td>Identify different types of Activity Ratios.</td><td>Understand</td><td>8</td></tr>
<tr><td>27</td><td>State the meaning of Interest Coverage Ratio.</td><td>Remember</td><td>8</td></tr>
<tr><td>28</td><td>Explain the meaning and computing procedure of Return on Capital Employed.</td><td>Understand</td><td>8</td></tr>
</table>

29	Identify the formulas for liquidity ratios.	Remember	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).	Understand	7
3.	Define Double Entry System. Describe the advantages and Disadvantages of Double Entry System.	Understand	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.	Understand	7
8.	Write the significance of Trial Balance.	Understand	7
9.	Sketch different methods of preparing Trial Balance.	Understand	7
10.	Explain the importance of Trading Account.	Understand	7
11.	Illustrate the significance of Profit & Loss Account.	Remember	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.	Understand	8
19.	State the formulas for Activity Ratios.	Understand	8
20.	Explain the formulas for Capital Structure Ratios.	Remember	8
21.	Write the formulas for Profitability Ratios.	Remember	8
Part – C (Problem Solving and Critical Thinking)			
1	Write Journal Entries in the books of Mr. Sukumar from the following transactions 2008,Jan.1st Goods purchased from Raju on credit Rs.10,000 Jan 2nd Goods purchased from Ramu Rs.20,000 Jan 3rd Goods returned to Raju Rs.1,000 Jan 4th Goods returned to Ramu Rs.2,000 Jan 5th Goods sold to Suresh on credit Rs.30,000 Jan 6th Goods sold to Mahesh Rs.40,000 Jan 7th Goods returned from Mahesh Rs.4,000 Jan 8th Goods returned by Suresh Rs.3,000 Jan 9th Building sold to Venkat Rs.50,000 Jan 31st Furniture purchased from Kishore Rs.5,000	Understand	8

2	Write Journal Entries in the books of Mr. Bhavani Sankar from the following transactions 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	Understand	**8**
3	Write Journal Entries in the books of Mr.Kiran from the following transactions 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	Understand	**8**
4	Write Journal Entries in the books of Mr. Siva Kumar from the following transactions. 2010, Jan.1st Business started with cash Rs.50,000, Cheque Rs.30,000, Furniture Rs.20,000 and Stock Rs.20,000 Jan 8th Goods sold to Arjun on credit for Rs.3,500 Jan 9th Goods returned from Arjun Rs.500 Jan 10th Arjun settled his account with amount of Rs.2,900 Jan 11th Goods taken by proprietor for his personal use Rs.5,000 Jan 12th Cash taken by proprietor for his domestic use Rs.2,000 Jan 31st Telephone purchased for Domestic use Rs.10,000 Jan31st Rent Paid for personal use Rs.5,000	Understand	**8**
5	Write Journal Entries from the following in the books of Mr.Praveen. 2009, Dec 1st Business stated with cash Rs.50,000, Stock Rs.30,000, Furniture Rs.10,000 and Machinery Rs.20,000. Dec 2nd Telephone charges paid in cash Rs.5,000 Dec 3rd Transport charges paid by cheque Rs.3,000 Dec 4th Advertisements charges paid to Naga Raju Rs. 4,000 Dec 5th Dividend received from Ashok company Pvt.Ltd. Rs.2,000 Dec 6th Furniture purchased for personal use Rs.5,000 Dec 7th Rent paid to Landlord Ramana for Rs.8,000	Understand	**8**
6	Write Journal Entries from the following in the books of Mr.Prasad 2010, Dec 1st Machinery purchased for Rs.15,000 Dec 9th Building purchased for 1,00,000 Dec 10th Computer purchased by cheque for Personal use Rs.20,000 Dec 11th Investments sold for Rs.25,000 Dec 12th Sale of Machinery for Rs.30,000 Dec 13th Sale of Furniture for Rs.10,000 Dec 14th Sale of Building for cash Rs.1,50,000 Dec 31st Computer Sold by cheque Rs.15,000	Understand	**8**

7	Write Journal Entries in the books of Gopal from the following: 2008, May 1st Business started with Rs.60,000 May 2nd Sale of Typewriter for Rs.1,000 May 3rd Salaries paid to staff by cheque Rs.5,000 May 4th Wages paid to Labour for Rs.15,000. May 5th Rent paid to Landlord Raja Rao Rs.8,000 May 6th Interest received from Rajani Rs.2,000 May 7th Commission received from Kamala Rs.3,000	Remember	8
8	Record the following transactions in the books of Krishna Mohan. 2007, June 1st Business started with cash Rs.25,000 and Cheque Rs.20,000 .June 2nd Interest paid for Rs.5,000 June 3rd Commission paid by cheque Rs.2,000 June 4th Salaries paid for Rs.5,000 June 5th Machinery purchased for Rs.6,000 June 6th Rent received for Rs.20,000	Understand	8
9	Record /consider the following transactions in the books of Mr.Kiran. 2009, July 1st Business started with cash Rs.50,000 July 2nd Cash deposited into Bank Rs.20,000 July 3rd Cash Withdrawn from Bank Rs.10,000 July 4th Cash taken from bank for personal use Rs.5,000 July 5th Cash Paid to Mohan Rs.15,000 July 6th Cash received from Amar Rs.8,000 July 7th Cheque received from Bharat Rs.2,000	Understand	8
10	Record the following transactions in the books of Mr.Bharat Kumar 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	Understand	8
11	Prepare Trial Balance of Mr.Ravikumar as on 31.12.2005 from the following balances: 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	Understand	9
12	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.	Remember	9

13	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.	Understand	9
14	Prepare Trial Balance of Mr.Rajaram as on 31.12.2005 from the following balances: 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	Understand	9
15	You are required to show that Trial Balance as on 31.12.1998 from the following Information: (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.	Remember	9

<table>
<tr>
<td>16</td>
<td>Prepare Trading and Profit & Loss A/c and Balance Sheet of Mr. Mukharjee as at 31-12-1998 from the following Trial Balance
<table>
<tr><th>Debit Balances</th><th>Rs.</th><th>Credit Balances</th><th>Rs.</th></tr>
<tr><td>Drawings</td><td>12,000</td><td>Sales</td><td>2,80,800</td></tr>
<tr><td>Purchases</td><td>1,80,000</td><td>Discount</td><td>3,000</td></tr>
<tr><td>Salaries</td><td>18,000</td><td>Received</td><td>4,000</td></tr>
<tr><td>Rent &Taxes</td><td>6,800</td><td>Commission</td><td>40,000</td></tr>
<tr><td>Travelling Expenses</td><td>1,600</td><td>Sundry Creditors</td><td>10,000</td></tr>
<tr><td>Opening Stock</td><td>75,000</td><td>Loan</td><td>1,00,000</td></tr>
<tr><td>Machinery</td><td>28,400</td><td>Capital</td><td></td></tr>
<tr><td>Furniture</td><td>12,000</td><td></td><td></td></tr>
<tr><td>Sundry Debtors</td><td>50,500</td><td></td><td></td></tr>
<tr><td>Cash in Hand</td><td>2,200</td><td></td><td></td></tr>
<tr><td>Cash at Bank</td><td>10,400</td><td></td><td></td></tr>
<tr><td>Office Expenses</td><td>2,500</td><td></td><td></td></tr>
<tr><td>Wages</td><td>30,000</td><td></td><td></td></tr>
<tr><td>Freight & Carriage</td><td>4,000</td><td></td><td></td></tr>
<tr><td>inwards</td><td>800</td><td></td><td></td></tr>
<tr><td>Insurance</td><td>1,600</td><td></td><td></td></tr>
<tr><td>Discount Allowed</td><td>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>4,37,800</td><td></td><td>4,37,800</td></tr>
</table>
<u>Adjustments:</u>
1) Closing stock Rs.68,500</td>
<td>Understand</td>
<td>9</td>
</tr>
<tr>
<td>17</td>
<td>Prepare Trading and Profit & Loss A/c of Mr. Rama Raju for the year ending 31-3-2007 from the following Trial Balance
<table>
<tr><th>Debit Balances</th><th>Rs.</th><th>Credit Balances</th><th>Rs.</th></tr>
<tr><td>Drawings</td><td>18,000</td><td>Sales</td><td>41,460</td></tr>
<tr><td>Purchases</td><td>21,200</td><td>Returns Outwards</td><td>420</td></tr>
<tr><td>Insurance</td><td>2,200</td><td>Interest</td><td>240</td></tr>
<tr><td>Rent</td><td>600</td><td>Creditors</td><td>4,120</td></tr>
<tr><td>Postage</td><td>300</td><td>Loan</td><td>3,000</td></tr>
<tr><td>Opening Stock</td><td>3,100</td><td>Capital</td><td>12,000</td></tr>
<tr><td>Building</td><td>1,700</td><td></td><td></td></tr>
<tr><td>Furniture</td><td>1,000</td><td>Suspense A/c (Cr)</td><td>2,700</td></tr>
<tr><td>Debtors</td><td>6,000</td><td></td><td></td></tr>
<tr><td>Cash in Hand</td><td>1,300</td><td></td><td></td></tr>
<tr><td>Stationery</td><td>240</td><td></td><td></td></tr>
<tr><td>Wages</td><td>5,200</td><td></td><td></td></tr>
<tr><td>Freight & Carriage inwards</td><td>560</td><td></td><td></td></tr>
<tr><td>Miscellaneous Expenses</td><td>500</td><td></td><td></td></tr>
<tr><td>Repairs</td><td>900</td><td></td><td></td></tr>
<tr><td>Bad Debts</td><td>120</td><td></td><td></td></tr>
<tr><td>Returns Inwards (S/R)</td><td>1,020</td><td></td><td></td></tr>
<tr><td></td><td>63,940</td><td></td><td>63,940</td></tr>
</table>
Adjustments:
(1) Closing stock Rs.2,980
(2) Outstanding Wages Rs.200
(3) Outstanding Rent Rs.200
(4) Prepaid Insurance Rs.60
(5) Provide 5% for Doubtful Debts on Debtors.
(6) Provide 10% Depreciation on Buildings.</td>
<td>Remember</td>
<td>9</td>
</tr>
</table>

18	From the following Trial Balance and Adjustments, show Trading and Profit& Loss Account for the year ending 31-12-2003 in the books of Mr. Vijay.	Remember	9

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

Adjustment: (1) Closing Stock Rs.25,000

<table>
<tr>
<td>19</td>
<td>Prepare Trading and Profit & Loss A/c and Balance Sheet of Mr. Mukharjee as at 31-12-1998 from the following Trial Balance
<table>
<tr><th>Debit Balances</th><th>Rs.</th><th>Credit Balances</th><th>Rs.</th></tr>
<tr><td>Drawings</td><td>12,000</td><td></td><td></td></tr>
<tr><td>Purchases</td><td>1,80,000</td><td>Sales</td><td>2,80,800</td></tr>
<tr><td>Salaries</td><td>18,000</td><td></td><td></td></tr>
<tr><td>Rent &Taxes</td><td>6,800</td><td>Discount</td><td>3,000</td></tr>
<tr><td>Travelling</td><td>1,600</td><td></td><td></td></tr>
<tr><td>Expenses</td><td>75,000</td><td>Received</td><td>4,000</td></tr>
<tr><td>Opening Stock</td><td>28,400</td><td>Commission</td><td></td></tr>
<tr><td>Machinery</td><td>12,000</td><td></td><td></td></tr>
<tr><td>Furniture</td><td>50,500</td><td>Sundry Creditors</td><td>40,000</td></tr>
<tr><td>Sundry Debtors</td><td>2,200</td><td></td><td></td></tr>
<tr><td>Cash in Hand</td><td>10,400</td><td>Loan</td><td>10,000</td></tr>
<tr><td>Cash at Bank</td><td>2,500</td><td></td><td></td></tr>
<tr><td>Office Expenses</td><td>30,000</td><td>Capital</td><td>1,00,000</td></tr>
<tr><td>Wages</td><td>4,000</td><td></td><td></td></tr>
<tr><td>Freight & Carriage</td><td>800</td><td></td><td></td></tr>
<tr><td>inwards</td><td>1,600</td><td></td><td></td></tr>
<tr><td>Insurance</td><td>2,000</td><td></td><td></td></tr>
<tr><td>Discount Allowed</td><td></td><td></td><td></td></tr>
<tr><td>Returns Inwards (S/R)</td><td></td><td></td><td></td></tr>
<tr><td></td><td>4,37,800</td><td></td><td>4,37,800</td></tr>
</table>
<u>Adjustments:</u>

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

</td>
<td>Remember</td>
<td>9</td>
</tr>
<tr>
<td>20</td>
<td>You are required to compute i) Current Ratio ii) Quick Ratio / Acid Test Ratio iii) Absolute Quick Ratio from the following Balance Sheet.
<table>
<tr><th>Liabilities</th><th>Amount (Rs.)</th><th>Assets</th><th>Amount (Rs.)</th></tr>
<tr><td>Equity Share Capital</td><td>15,00,000</td><td>Goodwill</td><td>10,00,000</td></tr>
<tr><td>6% Preference Share Capital</td><td>10,00,000</td><td>Plant& Machinery</td><td>10,00,000</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>1,80,000</td><td>Bills Receivables</td><td>30,000</td></tr>
<tr><td>Bank Overdraft</td><td>20,000</td><td>Debtors</td><td>2,50,000</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>1,20,000</td></tr>
<tr><td></td><td>40,00,000</td><td></td><td>40,00,000</td></tr>
</table>
</td>
<td>Remember</td>
<td>10</td>
</tr>
</table>

<table>
<tr>
<td>21</td>
<td>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.
<table>
<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>
<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>
</table>
Adjustments:
1. Closing Stock Rs.80,000.
2. Outstanding Salaries Rs.10,000.
3. Depreciate Buildings by 10% p.a.</td>
<td>Understand</td>
<td>10</td>
</tr>
<tr>
<td>22</td>
<td>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
Balance Sheet of M/s. XYZ Ltd as on 31st March, 2003.
<table>
<tr><th>Liabilities</th><th>Amount (Rs.)</th><th>Assets</th><th>Amount(Rs.)</th></tr>
<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>
</table>
Other Information:
1. Annual Credit Sales amounted to Rs. 74,40,000.
2. Gross Profit Rs. 7,44,000.
3. Bank Overdraft is payable on demand.</td>
<td>Remember</td>
<td>10</td>
</tr>
</table>

23	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.	Understand	10

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**

Other Information: Earnings Before Interest and Taxes (EBIT) Rs. 5,00,000

24	You are required to Compute General Profitability Ratios like (i) Gross Profit Ratio (ii)Net Profit Ratio (iii) Operating Ratio (iv) Operating Profit Ratio from the following Trading and Profit & Loss Account	Remember	10

Dr Cr

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 To Non-operating Expenses(Depreciation, Interest and Tax)	12,000 9,000	By Non-operating Income	6,000
To Net Profit (B.F) (To be transferred to Capital A/c)	84,000		
	2,06,000		**2,06,00**0

Other Information:

10,000 Equity Shares Market Price @ Rs.10 each	Rs.1,00,000

<table>
<tr>
<td>25</td>
<td>You are required to compute i) Current Ratio ii) Quick Ratio / Acid Test Ratio iii) Absolute Quick Ratio from the following Balance Sheet.
<table>
<tr><th>Liabilities</th><th>Amount (Rs.)</th><th>Assets</th><th>Amount (Rs.)</th></tr>
<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>
</table>
</td>
<td>Remember</td>
<td>10</td>
</tr>
<tr>
<td>26</td>
<td>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.

Balance Sheet of M/s. XYZ Ltd as on 31st March, 2003.
<table>
<tr><th>Liabilities</th><th>Amount (Rs.)</th><th>Assets</th><th>Amount(Rs.)</th></tr>
<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>
<tr><td></td><td>2,90,000</td><td></td><td>2,90,000</td></tr>
</table>
Other Information: Sales for the year Rs.6,00,000
</td>
<td>Understand</td>
<td>10</td>
</tr>
<tr>
<td>27</td>
<td>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.
<table>
<tr><th>Particulars</th><th>Amount Rs.</th><th>Particulars</th><th>Amount Rs.</th></tr>
<tr><td>To Opening Stock</td><td>30,000</td><td>By Net Sales</td><td>1,10,000</td></tr>
<tr><td>To Purchases</td><td>60,000</td><td>By Closing Stock</td><td>20,000</td></tr>
<tr><td>To Wages</td><td>10,000</td><td></td><td></td></tr>
<tr><td>To Gross Profit</td><td>30,000</td><td></td><td></td></tr>
<tr><td></td><td>1,30,000</td><td></td><td>1,30,000</td></tr>
<tr><td>To Administrative Expenses</td><td>10,000</td><td>By Gross Profit</td><td>30,000</td></tr>
<tr><td>To Selling & Distribution Expenses
To Net Profit</td><td>5,000

20,000</td><td>By Sundry Receipt</td><td>5,000</td></tr>
<tr><td></td><td>35,000</td><td></td><td>35,000</td></tr>
</table>
</td>
<td>Remember</td>
<td>10</td>
</tr>
</table>

28	You are required to compute i) Current Ratio ii) Quick Ratio / Acid Test Ratio iii) Absolute Quick Ratio from the following Balance Sheet.	Remember	10

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital	15,00,000	Goodwill	11,00,000
6% Preference Share Capital	11,00,000	Plant& Machinery	11,00,000
General Reserve	2,00,000	Land & Building	2,00,000
Profit & Loss A/c	5,00,000	Furniture	2,00,000
12% Debentures	1,00,000	Stock- in -Trade	7,00,000
Creditors	2,80,000	Bills Receivables	1,30,000
Bank Overdraft	1,20,000	Debtors	3,50,000
Bills Payable	2,24,000	Bank Balance	3,00,000
Provision for Taxation	2,76,000	Marketable Securities	2,20,000
	43,00,000		43,00,000

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

HOD, ELECTRONICS AND COMMUNICATION ENGINEERING