



# INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

## INFORMATION TECHNOLOGY

### TUTORIAL QUESTION BANK

Course Name	:	MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
Course Code	:	A50010
Class	:	III - B. Tech I Semester
Branch	:	Information Technology
Year	:	2017 – 2018
Course Coordinator	:	Dr.J.S.V.GOPALA SARMA, Professor, MBA Department.
Course Faculty	:	Dr.J.S.V.GOPALA SARMA, Professor, MBA Department.

#### OBJECTIVES

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

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

S N o	QUESTION	Blooms taxonom y level	Course Outcom es
<b>UNIT - I</b> <b>INTRODUCTION TO MANAGERIAL ECONOMICS</b>			
<b>Part - A (Short Answer Questions)</b>			
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.	Analyze	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	Remember	2
12	Define Elasticity of Demand.	Remember	2
13	Write short notes on Unit Price Elasticity of Demand	Analyze	2
14	Write short note on perfectly price elastic Demand.	Analyze	2
15	Write short note on cross elasticity of demand.	Analyze	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
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.	Understand	2
24	State Income Elasticity is less than unity.	Understand	2
25	Write Cross Elasticity of Demand in case of Substitutes.	Analyze	2
26	Write Cross Elasticity of Demand in case of Complimentary goods	Analyze	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
<b>Part - B (Long Answer Questions)</b>			
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.	Analyze	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
<b>Part - C (Problem Solving and Critical Thinking Questions)</b>			

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.	Analyze	2
4	Write any two methods of Demand Forecasting	Analyze	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.	Analyze	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.	Analyze	3
18	Write the formula for Margin of Safety	Analyze	3
19	Write the formula for P/V Ratio.	Analyze	3
20	Write the formula for Break-Even Point ( in value)	Analyze	3
21	Write the formula for Break-Even Point ( in units)	Analyze	3
22	Write the formula for Margin of Safety Ratio	Analyze	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	Analyze	3
29	Write a short note on the Economies of Concentration	Analyze	3
30	Write a short note on the Economies of Welfare	Analyze	3
<b>Part - B (Long Answer Questions)</b>			
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 Economies.	Understand	3
<b>Part – C (Problem Solving and Critical Thinking)</b>			
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	<p>The Sales Turnover and profit during two years were given as follows:</p> <table border="1" data-bbox="365 233 865 331"> <thead> <tr> <th>Years</th> <th>2001</th> <th>2002</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>You are required to Compute the following:</p> <p>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.</p> <p>The Selling Price per unit can be assumed at Rs.100</p>	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	<p>The Sales Turnover and profit during two years were given as follows:</p> <table border="1" data-bbox="365 585 865 684"> <thead> <tr> <th>Years</th> <th>2005</th> <th>2006</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>You are required to compute the following:</p> <p>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.</p> <p>The Selling Price per unit can be assumed at Rs.10</p>	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	<p>The Sales Turnover and profit during two years were given as follows:</p> <table border="1" data-bbox="365 942 865 1041"> <thead> <tr> <th>Years</th> <th>2003</th> <th>2004</th> </tr> </thead> <tbody> <tr> <td>Sales (Rs.)</td> <td>1,00,000</td> <td>1,20,000</td> </tr> <tr> <td>Profit (Rs.)</td> <td>15,000</td> <td>23,000</td> </tr> </tbody> </table> <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.20,000  iii) Profit when Sales are Rs.1,25,000.</p>	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 Sales Turnover and profit during two years were given as follows:</p> <table border="1" data-bbox="365 1299 865 1398"> <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										

7	<p>You are given the following information about two companies in 2000.</p> <p><b>Sales</b>  CompanyA:Rs.50,00,000  CompanyB:Rs.50,00,000</p> <p><b>Fixed Expenses</b>  CompanyA:Rs.12,00,000  CompanyB:Rs.17,00,000</p> <p><b>Variable Expenses</b>  CompanyA:Rs.35,00,000  CompanyB: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
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**UNIT-III**  
**MARKETS AND NEW ECONOMIC ENVIRONMENT**

**Part - A (Short Answer Questions)**

1.	Write a short note on the perfect competition.	Analyze	4
2.	Explain the product differentiation	Understand	4
3.	State the equilibrium price.	Remember	4
4	List out the features of Perfect Market.	Remember	4
5	Describe the meaning of monopolistic competition.	Remember	4
6	Write short notes on Monopoly Competition.	Analyze	4
7	Define market.	Remember	4
8	Discuss about Duopoly	Remember	4
9	Define Monopolistic Competition Market.		
10	List out the features of Monopoly Market.	Remember	4
11	List out the features of Monopolistic Competition Market.	Remember	4
12	Illustrate Price Discrimination.	Apply	4
13	Write short note on Price Maker.	Analyze	4
14	Write short note on Price Taker.	Analyze	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.	Analyze	4
19	Discuss Marginal cost pricing.	Understand	4
20	Discuss about oligopoly.	Remember	4
21	Identify the market skimming.	Create	4
22	Describe the Block Pricing.	Understand	4
23	Explain promotional pricing	Remember	4
<b>24</b>	<b>Explain the Group Equilibrium.</b>	<b>Understand</b>	<b>4</b>
25	List out the features of Sole Trading	Remember	4
26	List out the features of Partnership	Remember	4

27	List out the features of Company	Remember	4
28	List out the features of Public Enterprises	Remember	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	Remember	4
33	List out the demerits of Partnership	Remember	4
34	List out the demerits of Company	Remember	4
35	Write a short note on Common Seal	Analyze	4
37	Define Business.	Remember	5
38	Illustrate the features of business.	Remember	5
39	Define sole trading.	Remember	5
40	Define Partnership	Remember	5
41	Define Company.	Remember	5
42	List out the features of company.	Remember	5
43	Define Public Enterprise.	Remember	5
44	State the meaning of unlimited Liability.	Remember	5
45	List out different types of Partners.	Remember	5
46	Write any two differences between Public Company and Private company.	Analyze	5
47	Write a short note on Public Limited Company	Analyze	5
48	Write a short note on Private company	Analyze	5
49	Write a short note on Active Partner	Analyze	5
50	Write a short note on Minor Partner	Analyze	5
51	Write a short note on Partner by Estoppel	Analyze	5
<b>Part – B (Long Answer Questions)</b>			
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
<b>Part – C (Problem Solving and Critical Thinking)</b>			
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
<b>UNIT-IV CAPITAL AND CAPITAL BUDGETING</b>			
<b>Part – A (Short Answer Questions)</b>			
1	Write short note on the features of fixed capital.	Analyze	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
21	Write short note on fixed capital.	Analyze	6
22	Write short note on Working capital.	Analyze	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	Analyze	6
27	Write examples for Current Assets	Analyze	6
28	Explain the meaning of Equity Share	Remember	6
29	Explain the meaning of Preference Share	Remember	6
30	Explain the meaning of Debenture	Remember	6
<b>Part – B (Long Answer Questions)</b>			
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
<b>Part – C (Problem Solving and Critical Thinking)</b>			
1	The cost of a project is Rs.50,000 and annual cash inflows for the next five years are given as follows: 1 <sup>st</sup> year Rs.25,000 2 <sup>nd</sup> year Rs.25,000 3 <sup>rd</sup> year Rs.25,000 4 <sup>th</sup> year Rs.25,000 5 <sup>th</sup> year Rs.25,000 Total <u>125,000</u> What is the pay-back period for the project?	Remember	6

2	<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="269 338 1073 558"> <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																										
3	<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="358 663 1073 957"> <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																									
4	<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 1077 1073 1266"> <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) Net Present Value @10% D.f. and (iii) Profitability Index @10% D.f.</p> <table border="1" data-bbox="350 1356 1073 1442"> <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
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																										
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5	<p><b>No project is acceptable unless the yield is 10%. Cash Inflows of a certain project along with Cash outflows are given below:</b></p> <table border="1" data-bbox="397 300 1075 548"> <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 5<sup>th</sup> 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="344 648 1075 743"> <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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6	<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="355 852 1075 1037"> <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</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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7	<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="248 1451 1070 1734"> <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>0.80</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%	0.80	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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8	<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>	Apply	6																		
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9	<p>A Company has an investment opportunity costing Rs.40,000 with the following expected net cash flow after taxes and before depreciation.</p>	Understand	6																																										
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10	<p>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.</p>	Remember	6																												
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Total PAT	6,000	10,000																													

**UNIT-V**  
**INTRODUCTION TO FINANCIAL ACCOUNTING AND RATIO ANALYSIS**

**Part - A (Short Answer Questions)**

1	Define Financial Accounting.	Remember	7
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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
<b>Part - B (Long Answer Questions)</b>			
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	<p>Write Journal Entries in the books of Mr. Sukumar from the following transactions</p> <p>2008, Jan.1<sup>st</sup> Goods purchased from Raju on credit Rs.10,000  Jan 2<sup>nd</sup> Goods purchased from Ramu Rs.20,000  Jan 3<sup>rd</sup> Goods returned to Raju Rs.1,000  Jan 4<sup>th</sup> Goods returned to Ramu Rs.2,000  Jan 5<sup>th</sup> Goods sold to Suresh on credit Rs.30,000  Jan 6<sup>th</sup> Goods sold to Mahesh Rs.40,000  Jan 7<sup>th</sup> Goods returned from Mahesh Rs.4,000  Jan 8<sup>th</sup> Goods returned by Suresh Rs.3,000  Jan 9<sup>th</sup> Building sold to Venkat Rs.50,000  Jan 31<sup>st</sup> Furniture purchased from Kishore Rs.5,000</p>	Understand	7
2	<p>Write Journal Entries in the books of Mr. Bhavani Sankar from the following transactions</p> <p>2002, Jan.1<sup>st</sup> Business commenced with Rs.15,000  Jan.2<sup>nd</sup> . Cash paid into bank Rs.10,000  Jan. 3<sup>rd</sup> .Sold goods for cash Rs.7,000  Jan. 4<sup>th</sup> . Purchased goods from Vijay Rs.3,000  Jan. 5<sup>th</sup> . Machinery Purchased for Rs.5,000  Jan.30<sup>th</sup> Rent paid Rs.2,000  Jan 31<sup>st</sup> Depreciation charged on Machinery Rs.3,000  Jan 31<sup>st</sup> 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 1<sup>st</sup> Insurance paid by cheque Rs.3,000  May 9<sup>th</sup> Telephone Rent Paid in cash Rs.2,000  May 10<sup>th</sup> Stationery Purchased for Rs.1,000  May 11<sup>th</sup> Telegrams sent to New Delhi Rs.2,500  May 12<sup>th</sup> Advertisement charges paid in cash Rs.5,000  May 13<sup>th</sup> Machinery Purchased for Rs.90,000  May 14<sup>th</sup> Furniture purchased for personal use Rs.30,000  May 13<sup>th</sup> Depreciation charged on Machinery Rs.9,000  May 14<sup>th</sup> Depreciation charged on Furniture Rs.3,000  May 15<sup>th</sup> Repairs Paid on Buildings Rs.15,000  May 16<sup>th</sup> Rent received for Rs.6,000</p>		
4	<p>Write Journal Entries in the books of Mr. Siva Kumar from the following transactions.</p> <p>2010, Jan.1<sup>st</sup> Business started with cash Rs.50,000, Cheque Rs.30,000, Furniture Rs.20,000 and Stock Rs.20,000  Jan 8<sup>th</sup> Goods sold to Arjun on credit for Rs.3,500  Jan 9<sup>th</sup> Goods returned from Arjun Rs.500  Jan 10<sup>th</sup> Arjun settled his account with amount of Rs.2,900  Jan 11<sup>th</sup> Goods taken by proprietor for his personal use Rs.5,000  Jan 12<sup>th</sup> Cash taken by proprietor for his domestic use Rs.2,000  Jan 31<sup>st</sup> Telephone purchased for Domestic use Rs.10,000  Jan31st Rent Paid for personal use Rs.5,000</p>		
5	<p>Write Journal Entries from the following in the books of Mr.Praveen.</p> <p>2009, Dec 1<sup>st</sup> Business stated with cash Rs.50,000, Stock Rs.30,000, Furniture Rs.10,000 and Machinery Rs.20,000.  Dec 2<sup>nd</sup> Telephone charges paid in cash Rs.5,000  Dec 3<sup>rd</sup> Transport charges paid by cheque Rs.3,000  Dec 4<sup>th</sup> Advertisements charges paid to Naga Raju Rs. 4,000  Dec 5<sup>th</sup> Dividend received from Ashok company Pvt.Ltd. Rs.2,000  Dec 6<sup>th</sup> Furniture purchased for personal use Rs.5,000  Dec 7<sup>th</sup> Rent paid to Landlord Ramana for Rs.8,000</p>	Apply	7
6	<p>Write Journal Entries from the following in the books of Mr.Prasad</p> <p>2010, Dec 1<sup>st</sup> Machinery purchased for Rs.15,000  Dec 9<sup>th</sup> Building purchased for 1,00,000  Dec 10<sup>th</sup> Computer purchased by cheque for Personal use Rs.20,000  Dec 11<sup>th</sup> Investments sold for Rs.25,000  Dec 12<sup>th</sup> Sale of Machinery for Rs.30,000  Dec 13<sup>th</sup> Sale of Furniture for Rs.10,000  Dec 14<sup>th</sup> Sale of Building for cash Rs.1,50,000  Dec 31<sup>st</sup> Computer Sold by cheque Rs.15,000</p>		

7	<p>Write Journal Entries in the books of Gopal from the following:</p> <p>2008, May 1<sup>st</sup> Business started with Rs.60,000  May 2<sup>nd</sup> Sale of Typewriter for Rs.1,000  May 3<sup>rd</sup> Salaries paid to staff by cheque Rs.5,000  May 4<sup>th</sup> Wages paid to Labour for Rs.15,000.  May 5<sup>th</sup> Rent paid to Landlord Raja Rao Rs.8,000  May 6<sup>th</sup> Interest received from Rajani Rs.2,000  May 7<sup>th</sup> Commission received from Kamala Rs.3,000</p>	Remember	7
8	<p>Record the following transactions in the books of Krishna Mohan.</p> <p>2007, June 1<sup>st</sup> Business started with cash Rs.25,000 and Cheque Rs.20,000  June 2<sup>nd</sup> Interest paid for Rs.5,000  June 3<sup>rd</sup> Commission paid by cheque Rs.2,000  June 4<sup>th</sup> Salaries paid for Rs.5,000  June 5<sup>th</sup> Machinery purchased for Rs.6,000  June 6<sup>th</sup> Rent received for Rs.20,000</p>	Understand	7
9	<p>Record /consider the following transactions in the books of Mr.Kiran.</p> <p>2009, July 1<sup>st</sup> Business started with cash Rs.50,000  July 2<sup>nd</sup> Cash deposited into Bank Rs.20,000  July 3<sup>rd</sup> Cash Withdrawn from Bank Rs.10,000  July 4<sup>th</sup> Cash taken from bank for personal use Rs.5,000  July 5<sup>th</sup> Cash Paid to Mohan Rs.15,000  July 6<sup>th</sup> Cash received from Amar Rs.8,000  July 7<sup>th</sup> Cheque received from Bharat Rs.2,000</p>	Understand	7
10	<p>Record the following transactions in the books of Mr.Bharat Kumar</p> <p>2010, July 1<sup>st</sup> Cheque Issued to Charan Rs.7,000  July 9<sup>th</sup> Machinery Purchased on cash Rs.12,000  July 10<sup>th</sup> Furniture sold for cash Rs.8,000  July 11<sup>th</sup> Salaries paid Rs.15,000  July 12<sup>th</sup> Rent received Rs.5,000  July 28<sup>th</sup> Rent paid to Landlord Rama Rao Rs.13,000  July 29<sup>th</sup> Commission received from Sujatha Rs.10,000  July 30<sup>th</sup> Goods purchased from Krishna on cash Rs.20,000  July 31<sup>st</sup> Goods sold to Gopal for cash Rs.30,00  July 31<sup>st</sup> Wages paid by cheque Rs.50,000</p>		



11	<p>Prepare Trial Balance of Mr.Ravikumar as on 31.12.2005 from the following balances:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 25%; text-align: right;">Rs.</th> <th style="width: 25%;"></th> <th style="width: 25%; text-align: right;">Rs.</th> </tr> </thead> <tbody> <tr> <td>1. Capital</td> <td style="text-align: right;">32,000</td> <td>16. Creditors</td> <td style="text-align: right;">12,500</td> </tr> <tr> <td>2. Machinery</td> <td style="text-align: right;">30,000</td> <td>17. Returns Outwards(P/R)</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>3. Opening Stock</td> <td style="text-align: right;">16,000</td> <td>18. Returns Inwards (S/R)</td> <td style="text-align: right;">3,600</td> </tr> <tr> <td>4. Wages</td> <td style="text-align: right;">50,000</td> <td>19. Drawings</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>5. Carriage inwards</td> <td style="text-align: right;">500</td> <td>20. Discount Allowed</td> <td style="text-align: right;">750</td> </tr> <tr> <td>6. Salaries</td> <td style="text-align: right;">5,000</td> <td>21. Discount Received</td> <td style="text-align: right;">250</td> </tr> <tr> <td>7. Factory Rent</td> <td style="text-align: right;">2,400</td> <td>22. Office Expenses</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td>8. Repairs</td> <td style="text-align: right;">400</td> <td>23. Manufacturing Exp.</td> <td style="text-align: right;">600</td> </tr> <tr> <td>9. Fuel &amp; Power</td> <td style="text-align: right;">2,500</td> <td>24. Bills Payable</td> <td style="text-align: right;">6,500</td> </tr> <tr> <td>10. Buildings</td> <td style="text-align: right;">40,000</td> <td>25. Bills Receivable</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>11. Sundry Debtors</td> <td style="text-align: right;">20,000</td> <td>26. Cash in Hand</td> <td style="text-align: right;">2,400</td> </tr> <tr> <td>12. Sales</td> <td style="text-align: right;">2,03,600</td> <td>27. Cash at Bank</td> <td style="text-align: right;">15,400</td> </tr> <tr> <td>13. Purchases</td> <td style="text-align: right;">1,22,000</td> <td>28. Office Rent</td> <td style="text-align: right;">1,800</td> </tr> <tr> <td>14. Bank O.D</td> <td style="text-align: right;">2,000</td> <td></td> <td></td> </tr> <tr> <td>15. Suspense A/c (Cr)</td> <td style="text-align: right;">59,300</td> <td></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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12	<p>Prepare <b>Trial Balance</b> 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 &amp; 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																																																																
13	<p>Prepare <b>Trial Balance</b> 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 &amp;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																																																																
14	<p>Prepare Trial Balance of Mr.Rajaram as on 31.12.2005 from the following balances:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 25%; text-align: right;">Rs.</th> <th style="width: 25%;"></th> <th style="width: 25%; text-align: right;">Rs.</th> </tr> </thead> <tbody> <tr> <td>1. Sundry Debtors</td> <td style="text-align: right;">32,000</td> <td>9. Stock as on 1.1.2005</td> <td style="text-align: right;">22,000</td> </tr> <tr> <td>2. Cash in Hand</td> <td style="text-align: right;">35</td> <td>10. Cash at Bank</td> <td style="text-align: right;">1,545</td> </tr> <tr> <td>3. Plant &amp;Machinery</td> <td style="text-align: right;">17,500</td> <td>11. Sundry Creditors</td> <td style="text-align: right;">10,650</td> </tr> <tr> <td>4. Trade expenses</td> <td style="text-align: right;">1,075</td> <td>12. Sales</td> <td style="text-align: right;">2,34,500</td> </tr> <tr> <td>5. Salaries</td> <td style="text-align: right;">2,225</td> <td>13. Carriage Outwards</td> <td style="text-align: right;">400</td> </tr> <tr> <td>6. Rent</td> <td style="text-align: right;">900</td> <td>14. Bills Payable</td> <td style="text-align: right;">7,500</td> </tr> <tr> <td>7. Purchases</td> <td style="text-align: right;">2,18,870</td> <td>15. Discount Allowed</td> <td style="text-align: right;">1,100</td> </tr> <tr> <td>8. Capital</td> <td style="text-align: right;">79,500</td> <td>16. Business Premises</td> <td style="text-align: right;">34,500</td> </tr> </tbody> </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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15	<p>You are required to show that Trial Balance as on 31.12.1998 from the following Information:</p> <p>(1) Land &amp; Buildings Rs.2,750 (2)Plant &amp; 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 &amp;Rates Rs.188 (18) Drawings Rs.1,855.</p>	Remember	7
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Prepare Trading and Profit & Loss A/c and Balance Sheet of Mr. Mukharjee as at 31-12-1998 from the following Trial Balance

16

<b>Debit Balances</b>	<b>Rs.</b>	<b>Credit Balances</b>	<b>Rs.</b>
Drawings	12,000	Sales	2,80,800
Purchases	1,80,000	Discount Received	3,000
Salaries	18,000	Commission	4,000
Rent & Taxes	6,800	Sundry Creditors	40,000
Travelling Expenses	1,600	Loan	10,000
Opening Stock	75,000	Capital	1,00,000
Machinery	28,400		
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		
Insurance	800		
Discount Allowed	1,600		
Returns Inwards (S/R)	2,000		
	<b>4,37,800</b>		<b>4,37,800</b>

Analyze

7

**Adjustments:**

- 1) Closing stock Rs.68,500

Prepare Trading and Profit & Loss A/c of Mr. Rama Raju for the year ending 31-3-2007 from the following Trial Balance

Evaluate

7

17

Debit Balances	Rs.	Credit Balances	Rs.
Drawings	18,000	Sales	41,460
Purchases	21,200	Returns	420
Insurance	0	Outwards	240
Rent	2,200	Interest	
Postage	600	Creditors	4,120
Opening Stock	300	Loan	3,000
Building	3,100	Capital	12,000
Furniture	3,100	Suspense A/c (Cr)	
Debtors	1,700		
Cash in Hand	1,000		2,700
Stationery	6,000		
Wages	1,300		
Freight & Carriage inwards	240		
Miscellaneous Expenses	5,200		
Repairs	560		
Bad Debts	500		
Returns Inwards (S/R)	900		
	120		
	1,020		
	63,940		63,940
	0		

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.

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.

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

19	Prepare Trading and Profit & Loss A/c and Balance Sheet of Mr. Mukharjee as at 31-12-1998 from the following Trial Balance				Remember	7
	<b>Debit Balances</b>	<b>Rs.</b>	<b>Credit Balances</b>	<b>Rs.</b>		
	Drawings	12,000		2,80,800		
	Purchases	1,80,000	Sales			
	Salaries	18,000		3,000		
	Rent & Taxes	6,800	Discount			
	Travelling Expenses	1,600		4,000		
	Opening Stock	75,000	Received			
	Machinery	28,400	Commission			
	Furniture	12,000		40,000		
	Sundry Debtors	50,500	Sundry Creditors	10,000		
	Cash in Hand	2,200				
	Cash at Bank	10,400	Loan	1,00,000		
	Office Expenses	2,500				
	Wages	30,000	Capital			
	Freight & Carriage inwards	4,000				
	Insurance	800				
	Discount Allowed	1,600				
	Returns Inwards (S/R)	2,000				
	4,37,800		4,37,800			
<b>Adjustments:</b>						
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%						

20

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

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital	15,00,000	Goodwill	10,00,000
6% Preference Share Capital	10,00,000	Plant & Machinery	10,00,000
General Reserve	1,00,000	Land & Building	7,00,000
Profit & Loss A/c	4,00,000	Furniture	1,00,000
12% Debentures	5,00,000	Stock-in-Trade	6,00,000
Creditors	1,80,000	Bills Receivables	30,000
Bank Overdraft	20,000	Debtors	2,50,000
Bills Payable	1,24,000	Bank Balance	2,00,000
Provision for Taxation	1,76,000	Marketable Securities	1,20,000
	40,00,000		40,00,000

Evaluate

8

21

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.

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

Adjustments:

1. Closing Stock Rs.80,000.
2. Outstanding Salaries Rs.10,000.
3. Depreciate Buildings by 10% p.a.

Understand

7



22	<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 31<sup>st</sup> March, 2003.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Liabilities</th> <th style="width: 15%;">Amount (Rs.)</th> <th style="width: 25%;">Assets</th> <th style="width: 35%;">Amount(Rs.)</th> </tr> </thead> <tbody> <tr> <td>Paid-up Capital</td> <td style="text-align: right;">15,00,000</td> <td>Fixed Assets</td> <td style="text-align: right;">16,50,000</td> </tr> <tr> <td>Reserves &amp; Surplus</td> <td style="text-align: right;">6,00,000</td> <td>Stock-in-Trade /Closing Stock / Inventory</td> <td style="text-align: right;">9,10,000</td> </tr> <tr> <td>Debentures</td> <td style="text-align: right;">5,00,000</td> <td>Book Debts / Trade Debtors</td> <td style="text-align: right;">12,40,000</td> </tr> <tr> <td>Bank Overdraft</td> <td style="text-align: right;">2,00,000</td> <td>Investments (Short-Term)</td> <td style="text-align: right;">1,60,000</td> </tr> <tr> <td>Trade Creditors</td> <td style="text-align: right;">12,00,000</td> <td>Cash –in-hand</td> <td style="text-align: right;">40,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>40,00,000</b></td> <td></td> <td style="text-align: right;"><b>40,00,000</b></td> </tr> </tbody> </table> <p>Other Information:</p> <ol style="list-style-type: none"> <li>1. Annual Credit Sales amounted to Rs. 74,40,000.</li> <li>2. Gross Profit Rs. 7,44,000.</li> <li>3. Bank Overdraft is payable on demand.</li> </ol>	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		<b>40,00,000</b>		<b>40,00,000</b>	Remember	8																
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Liabilities	Amount (Rs.)	Assets	Amount (Rs.)																																												
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General Reserve	1,00,000	Land & Building	7,00,000																																												
Surplus (P&L A/c)	4,00,000	Furniture	1,00,000																																												
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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

Dr

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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		
	<b>5,98,500</b>		<b>5,98,500</b>
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		
	<b>2,06,000</b>		<b>2,06,000</b>

**Other Information:**

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

8

25	<p>You are required to compute i) Current Ratio ii) Quick Ratio / Acid Test Ratio iii) Absolute Quick Ratio from the following Balance Sheet.</p> <table border="1" data-bbox="248 262 1133 741"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital</td> <td>10,00,000</td> <td>Goodwill</td> <td>5,00,000</td> </tr> <tr> <td>6% Preference Share Capital</td> <td>5,00,000</td> <td>Plant &amp; Machinery</td> <td>6,00,000</td> </tr> <tr> <td>General Reserve</td> <td>1,00,000</td> <td>Land &amp; Building</td> <td>7,00,000</td> </tr> <tr> <td>Profit &amp; Loss A/c</td> <td>4,00,000</td> <td>Furniture</td> <td>1,00,000</td> </tr> <tr> <td>12% Debentures</td> <td>5,00,000</td> <td>Stock- in -Trade</td> <td>6,00,000</td> </tr> <tr> <td>Creditors</td> <td>80,000</td> <td>Bills Receivables</td> <td>30,000</td> </tr> <tr> <td>Bank Overdraft</td> <td>20,000</td> <td>Debtors</td> <td>1,50,000</td> </tr> <tr> <td>Bills Payable</td> <td>1,24,000</td> <td>Bank Balance</td> <td>2,00,000</td> </tr> <tr> <td>Provision for Taxation</td> <td>1,76,000</td> <td>Marketable Securities</td> <td>20,000</td> </tr> <tr> <td></td> <td>29,00,000</td> <td></td> <td>29,00,000</td> </tr> </tbody> </table>	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)	Equity Share Capital	10,00,000	Goodwill	5,00,000	6% Preference Share Capital	5,00,000	Plant & Machinery	6,00,000	General Reserve	1,00,000	Land & Building	7,00,000	Profit & Loss A/c	4,00,000	Furniture	1,00,000	12% Debentures	5,00,000	Stock- in -Trade	6,00,000	Creditors	80,000	Bills Receivables	30,000	Bank Overdraft	20,000	Debtors	1,50,000	Bills Payable	1,24,000	Bank Balance	2,00,000	Provision for Taxation	1,76,000	Marketable Securities	20,000		29,00,000		29,00,000	Evaluate	8
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26	<p>From the following Balance Sheet, You are required to predict (1) Debt-Equity Ratio (2) Proprietary Ratio (3) Stock / Inventory Turnover Ratio (4) Average collection Period. (5) Current Ratio (6) Acid-Test Ratio / Quick Ratio.</p> <p style="text-align: center;">Balance Sheet of M/s. XYZ Ltd as on 31<sup>st</sup> March, 2003.</p> <table border="1" data-bbox="274 1077 1128 1759"> <thead> <tr> <th>Liabilities</th> <th>Amount (Rs.)</th> <th>Assets</th> <th>Amount(Rs.)</th> </tr> </thead> <tbody> <tr> <td>Share Capital</td> <td>1,00,000</td> <td>Land Buildings</td> <td>1,25,000</td> </tr> <tr> <td>Reserves &amp; Surplus</td> <td>65,000</td> <td>Plant &amp; 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> </tbody> </table> <p>Other Information: Sales for the year Rs.6,00,000</p>	Liabilities	Amount (Rs.)	Assets	Amount(Rs.)	Share Capital	1,00,000	Land Buildings	1,25,000	Reserves & Surplus	65,000	Plant & Machinery	75,000	5% Debentures	1,00,000	Stock / Inventory	50,000	Bills Payable	7,000	Book Debts	10,000	Sundry Creditors	18,000	Bills Receivable	5,000			Cash at Bank	20,000			Preliminary Expenses	5,000		2,90,000		2,90,000	Understand	8								
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**Prepared By:** Dr.J.S.V.Gopala Sarma  
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