INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

INFORMATION TECHNOLOGY

QUESTION BANK

Course Name	:	**MANAGERIAL ECONOMICS AND FINANCIAL**
Course Code	:	**A40010**
Class	:	**II B.TECH-II SEM**
Branch	:	**EEE**
Year	:	**2016 - 2017**
Course Faculty	:	**Mr. M Ramesh, Assistant Professor,**

OBJECTIVES

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

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

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome
UNIT - I			
(Short Answer Questions)			
1	Define Managerial Economics.	Remember	1
2	Write a short note on Macro Economics	Analyze	1
3	Write a short note on Micro Economics.	Analyze	1
4	Explain Investment Decision.	Understand	1
5	State the Normative Statement.	Remember	1
6	Define demand.	Remember	2
7	List the determinants of demand	Remember	2
8	Discuss about the Giffen’s Paradox.	Understand	2
9	Describe a short note on consumer surplus.	Understand	2
10	Describe the autonomous demand.	Remember	2
11	How managerial economics is used in price-output decision? Discuss.	Remember	1
12	How economics is linked with psychology? Explain	Understand	1

13	Define Elasticity of Demand.	Remember	3
14	What is Test Marketing?	Understand	4
15	What is perfectly elastic?	Understand	3
16	What is cross elasticity of demand?	Understand	3
17	State How to estimate Demand.	Remember	4
(Long Answer Questions)			
1	Define Managerial Economics. Explain its nature.	Remember	1
2	Define Managerial Economics. Write its scope.	Analyze	1
3	Define Law of Demand. State the assumptions of Law of Demand.	Remember	1
4	Briefly explain the exceptions of Law of Demand.	Understand	2
5	Describe the determinants of Demand.	Understand	2
6	Explain the significance/Importance of Elasticity of Demand.	Remember	3
7	Illustrate different types of Price Elasticity of Demand.	Apply	3
8	Write different types of Income Elasticity of Demand.	Apply	3
9	Identify the factors which are influencing/governing Elasticity of Demand.	Analyze	3
10	Consider different methods of Cross Elasticity of Demand.	Understand	3
11	How to measure Price Elasticity of Demand? Explain.(Methods of Price Elasticity of Demand)	Remember	3
12	Define Demand Forecasting. Illustrate different methods of Demand Forecasting.	Apply	4
13	Discuss the factors governing Demand Forecasting.	Understand	2
14	Illustrate Survey based Demand Forecasting methods with appropriate examples.	Remember	2
15	Write the significance/Importance of Elasticity of Demand.	Analyze	2
(Analytical Questions)			
Nil			
UNIT - II			
Part - A (Short Answer Questions)			
1.	Explain the Break Even Point.	Remember	7
2.	Discuss about Iso- Cost.	Understand	6
3.	Discuss about Iso- Quant.	Remember	6
5.	What is least cost combination of input?	Understand	6
6.	Express law of returns to scale.	Remember	5
10.	Write a note on opportunity cost	Analyze	6
11	Write Differences between explicit and implicit costs.	Analyze	6
12	What is optimum size?	Understand	6
13	What is angle of incidence	Understand	7
14	Write the assumptions of BEA?	Analyze	7
15	What is CVP analysis?	Understand	7

15	Explain about law of Equi-Marginal Utility.	Understand	5
16	Write differences between Marginal Utility and Total Utility	Analyze	5
17	State the exceptions of law of diminishing marginal utility.	Remember	5
18.	What are the external economies of scale?	Evaluate	5
19	State about expansion path.	Remember	5
20.	Illustrate Cobb-Douglas production function	Apply	5
(Long Answer Questions)			
1	Describe different types of Internal Economies.	Understand	5
2	Briefly explain different types of External Economies.	Remember	5
3	Consider the significance of Break-Even Analysis.	Understand	7
4	State the limitations of Break-Even Analysis.	Remember	7
5	Write the Law of Returns with appropriate examples.	Analyze	5
6	Discuss the economies of scale that accrue to a firm.	Remember	5
7	Define Production function. How can a producer find it usefulness? Illustrate.	Apply	5
8	State the features of Iso- Quants and Iso-Costs.	Remember	5
9	Briefly Explain about the Cobb-Douglas Production Function.	Understand	5
(Analytical Questions)			
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 Variable Cost Per unit : Direct Material Rs.5 Direct Labour Rs.2 Direct Overheads 100% of Direct Labour Selling price per unit Rs.12.	Apply	3
2	The following data are available from the records of a company Sales Rs.60,000 Variable cost Rs.30,000 Fixed Cost RS.15,000 You are required to i) Compute the P/V Ratio, Break-Even Point and Margin of Safety at this level. ii) Compute the above with the effect of 10% increase in selling price. iii) Compute the above with the effect of 10% decrease in selling price.	Understand	3
3	The Sales Turnover and profit during two years were given as follows: **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: 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

4	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: 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	Evaluate	3
5	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
6	The Total Sales Turnover and Total Cost during two years were given as follows: **Years** **2009** **2010** Total Sales (Rs.) 42,500 39,200 Total Cost (Rs.) 38,700 36,852 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.6,000 iii) Profit when Sales are Rs.47,500	Apply	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.	Evaluate	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 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

UNIT-III

Part - A (Short Answer Questions)

1.	Illustrate perfect competition.	Apply	9
2.	Explain about product differentiation	Understand	9
3.	Discuss about oligopoly.	Remember	9
4.	Identify the market skimming.	Create	9

5.	Describe the Block Pricing.	Understand	1
6.	Sketch the market structure.	Apply	9
7.	State the equilibrium price.	Remember	1
8.	Discuss the penetration pricing.	Understand	1
9.	List out the pricing objectives.	Remember	1
10.	Discuss the cross subsidization.	Understand	1
11	Illustrate the Sealed Bid.	Apply	1
12	Describe monopolistic competition.	Remember	9
13	Write about marginal revenue curve.	Analyze	9
14	What is promotional pricing?	Understand	1
15	Define market.	Remember	9
16	Discuss the privatization.	Understand	2
17	State the liberalization.	Remember	2
Part - B (Long Answer Questions)			
1	Define Perfect Competition. List out the features of Perfect Competition?	Remember	9
2	Define Monopoly. Discuss the features of Monopoly?	Understand	9
3	How to determine price under Perfect Competition? Illustrate.	Apply	1
4	Discuss price-output determination in case of Monopoly.	Understand	1
5	Write differences between Perfect competition and Monopoly.	Apply	9
6	Write differences between perfect and imperfect market. Explain different types of Pricing.	Apply	9
7	Define Monopolistic Competition. Explain the features of Monopolistic Competition.	Remember	9
8	How to determine price- output in case of Monopolistic Competition? Discuss.	Apply	1
9	Define Business. Explain its characteristics.	Remember	1
10	Define Sole Trading. Describe the features, merits and demerits of Sole Trading?	Understand	1
11	Define Partnership. State the features, merits and demerits of Partnership?	Remember	1
12	Define Joint Stock Company. Illustrate the features, merits and demerits of Joint Stock Company.	Apply	1
13	Distinguish between public company and private company.	Apply	1
14	State the merits & demerits of different types of Public Enterprises.	Remember	2
15	Explain different types of Partners.	Understand	2
16	List out different types of companies.	Remember	1
UNIT-IV			
Part - A (Short Answer Questions)			
1	List out the features of fixed capital.	Remember	3
2	Sketch the requirements of capital.	Apply	1

3	Discuss the components of working capital.	Understand	3
4	Sketch working capital cycle.	Apply	1
5	Explain Debt Factoring.	Understand	1
6	Write different types of shares.	Analyze	3
7	Write differences between hire purchase and leasing.	Analyze	1
8	Observe a note on commercial paper.	Remember	1
9	Write a note on venture capital.	Analyze	1
10	Discuss the characteristics of common methods of finance.	Remember	3
11	Observe a note on rights issue	Analyze	1
12	Discuss the nature of capital budgeting proposals.	Remember	4
13	Illustrate capital rationing.	Apply	1
14	Explain the meaning of payback period.	Remember	4
15	Write a note on profitability index.	Analyze	4
Part - B (Long Answer Questions)			
1	Define Capital. Explain its significance.	Remember	3
2	Determine different types of capital.	Create	1
3	Consider the factors which are influenced on working capital requirement.	Understand	3
4	Describe the advantages and Disadvantages of Pay-back Period.	Understand	1
5	State the advantages and Disadvantages of ARR Method.	Remember	4
6	Illustrate the advantages and Disadvantages of NPV Method.	Apply	4
7	Write the advantages and Disadvantages of IRR Method.	Analyze	4
8	Explain the advantages and Disadvantages of Profitability Index Method.	Remember	4
9	Define Capital Budgeting. Illustrate the significance and limitations of Capital	Apply	1

Part - C (Critical Thinking Questions)

<table>
<tr><td>1</td><td>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?</td><td>Remember</td><td>6</td></tr>
<tr><td>2</td><td>X X Ltd. is producing articles mostly by manual labour and is considering replacing it by a new machine. There are two alternative models M and N of the new machines. Prepare a statement of profitability showing the pay-back period from the following information:
<table>
<tr><th>Particulars</th><th>Machine-M</th><th>Machine-N</th></tr>
<tr><td>Estimated Life</td><td>4 years</td><td>5 years</td></tr>
<tr><td>Cost of machine</td><td>Rs.90,000</td><td>Rs.1,80,000</td></tr>
<tr><td>Estimated Savings in scrap</td><td>Rs.5,000</td><td>Rs.8,000</td></tr>
<tr><td>Estimated Savings in direct labour /wages</td><td>Rs.60,000</td><td>Rs.80,000</td></tr>
<tr><td>Additional cost of Maintenance</td><td>Rs.8,000</td><td>Rs.10,000</td></tr>
<tr><td>Additional cost of supervision</td><td>Rs.12,000</td><td>Rs.18,000</td></tr>
</table></td><td>Understand</td><td>6</td></tr>
</table>

<table>
<tr>
<td>3</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>Apply</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) Discounted Pay-back Period (iii) Net Present Value @10% D.f. and (iv) 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>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>6</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>
</table>

<table>
<tr>
<td>7</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>

UNIT-V

Part - A (Short Answer Questions)

1	Define Financial Accounting.	Remember	5
2	Discuss the meaning of Journal Proper.	Understand	1
3	List out different types of Accounting Concepts.	Remember	5
4	Explain the meaning of Double Entry System.	Understand	5
5	State the meaning of purchase book.	Remember	1
6	Define subsidiary books.	Remember	6
7	Identify the meaning of trial balance.	Evaluate	6
8	State the errors of principle.	Remember	1
9	Describe the Meaning of Errors of Omission.	Understand	6
10	Write a note on provisions for doubtful debts.	Analyze	1
11	State the Meaning of Revenue Receipt.	Remember	1
12	Express the meaning of Contra Entry.	Understand	1
13	Illustrate the meaning of ledger account.	Apply	6
14	Explain the meaning of Capital Expenditure.	Understand	6
15	List out different types of Accounting Conventions.	Remember	6
16	Explain a note on current ratio.	Understand	8

(LONG ANSWER QUESTIONS)

1.	Define Financial Accounting. Explain the importance and Limitations of Financial Accounting.	Remember	1
2.	Define Account. Illustrate different types and principles of Accounts (Rules of Debit and Credit).	Apply	5
3.	What is Double Entry System? Describe the advantages and Disadvantages of Double Entry System.	Evaluate	1
4.	Explain different types of Accounting Concepts.	Understand	1

5.	Discuss different types of Accounting Conventions.	Understand	5
6.	State the advantages of the Journal.	Remember	1
7.	Illustrate the importance of the Ledger.	Apply	6
8.	Write the significance of Trial Balance.	Analyze	6
9.	Sketch different methods of preparing Trial Balance.	Apply	6
10.	Explain the importance of Trading Account.	Understand	1
11.	Illustrate the significance of Profit & Loss Account.	Apply	6
12.	Consider the importance of Balance Sheet.	Understand	1
13.	Define Ratio Analysis. Describe the advantages/ significance and limitations of Ratio Analysis.	Remember	7
14.	Discuss different types of Liquidity Ratios.	Understand	7
15.	State different types of Activity Ratios.	Remember	7
16.	Explain different types of Capital Structure Ratios.	Understand	7
17.	Express different types of Profitability Ratios.	Remember	1
18.	Write formulas for of Liquidity Ratios.	Apply	8
19.	State the formulas for Activity Ratios.	Apply	1
20.	Explain the formulas for Capital Structure Ratios.	Apply	8
21.	Write the formulas for Profitability Ratios.	Apply	1
Part - C (Critical Thinking Questions)			
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	7
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	Apply	7

3	Write Journal Entries in the books of Mr. Siva Kumar from the following transactions. 2010, Jan.1st Business started with cash Rs.30,000, Cheque Rs.20,000 and Stock Rs.10,000 Jan 2nd Cash deposited in the Bank Rs.5,000 Jan 3rd Cash withdrawn from the Bank Rs.3,000 for Office use Jan 4th Cash Withdrawn from the bank for personal use Rs.1,000 Jan 5th Goods purchased from Raja on credit For Rs.5,000 Jan 6th Goods returned to Raja Rs.1,000 Jan 7th Cash paid to Raja Rs.3,600 in full settlement of his account Rs.4,000.	Understand	7
4	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	Apply	8
05	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.	Apply	8
06	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.	Apply	8

07	Prepare Trading and Profit & Loss A/c and Balance Sheet of Mr. Mukharjee as at 31-12-1998 from the following Trial Balance	Apply	8

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

Adjustments:

1)Closing stock Rs.68,500

<table>
<tr>
<td>08</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>Evaluate</td>
<td>7</td>
</tr>
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<table>
<tr>
<td>09</td>
<td>
Prepare Trading, Profit &Loss A/c of Mr. Sukumar for the year ending 31-3-2007 and Balance Sheet as on that date from the following Trial Balance
<table>
<tr><th>Debit Balances</th><th>Rs.</th><th>Credit Balances</th><th>Rs.</th></tr>
<tr><td>Land</td><td>15,300</td><td>sales</td><td>41,460</td></tr>
<tr><td>Purchases</td><td>11,200</td><td>Returns Outwards</td><td>420</td></tr>
<tr><td>Salaries</td><td>2,200</td><td>(P/R)</td><td>240</td></tr>
<tr><td>Rent</td><td>600</td><td>Interest</td><td>4,120</td></tr>
<tr><td>Postage</td><td>300</td><td>Creditors</td><td>3,000</td></tr>
<tr><td>Opening Stock</td><td>3,100</td><td>Loan</td><td>12,000</td></tr>
<tr><td>Building</td><td>1,700</td><td>Capital</td><td></td></tr>
<tr><td>Furniture</td><td>1,000</td><td></td><td></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</td><td>560</td><td></td><td></td></tr>
<tr><td>inwards</td><td>500</td><td></td><td></td></tr>
<tr><td>Miscellaneous</td><td>900</td><td></td><td></td></tr>
<tr><td>Expenses</td><td>120</td><td></td><td></td></tr>
<tr><td>Repairs</td><td>1,020</td><td></td><td></td></tr>
<tr><td>Bad Debts</td><td>5,640</td><td></td><td></td></tr>
<tr><td>Returns Inwards</td><td>4,360</td><td></td><td></td></tr>
<tr><td>(S/R)</td><td></td><td></td><td></td></tr>
<tr><td></td><td>61,240</td><td></td><td>61,240</td></tr>
</table>
Adjustments: 1.Closing stock Rs.2,980
2. Outstanding Salaries Rs.200
3. Prepaid Rent Rs.60
4. Provide 5% for Doubtful Debts on Debtors.
</td>
<td>Apply</td>
<td>8</td>
</tr>
<tr>
<td>10</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>8</td>
</tr>
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<table>
<tr>
<td>11</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>Evaluate</td>
<td>8</td>
</tr>
<tr>
<td>12</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>8</td>
</tr>
</table>

13	You are required to Compute General Profitability Ratios like (i) Gross Profit Ratio (ii)Net Profit Ratio (iii) Operating Ratio (iv) Operating Profit Ratio (v) Earnings per Share(EPS) (vi) Price Earnings Ratio (P/E Ratio) (vii) Cost of Goods Sold Ratio (viii) Administrative Expenses Ratio (ix)Selling &Distribution Expenses Ratio from the following Trading and Profit & Loss Account	Apply	8

Trading and Profit & Loss A/c of Mr. Mukesh for the year ending 31-12-2008.

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		**2,06,000**

Other Information:

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

Prepared By: Mr. M Ramesh, Assistant Professor

HOD, EEE