INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

COMMON FOR ALL BRANCHES
QUESTION BANK

Course Name	:	**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**
Course Code	:	A30010
Class	:	III - B. Tech II Semester
Branch	:	CIVIL ENGINEERING
Year	:	2016 – 2017
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.

1. Group - A (Short Answer Questions)

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome
	UNIT-I INTRODUCTION & DEMAND ANALYSIS		
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	Describe the determinants of demand	Remember	2
9	Discuss about the Giffen's Paradox.	Understand	2
10	How Managerial economics is closed to Micro Economics.	Understand	1
11	Define Elasticity of Demand.	Remember	2
12	Write short note on perfectly elastic.	Understand	2
13	Write short note on cross elasticity of demand.	Understand	2
14	State How to estimate Demand.	Remember	2
15	State Income Elasticity.	Understand	2
16	Write a note on elasticity as a tool for the finance minister.	Analyze	2
17	Discuss the need for estimation of demand.	Remember	2
18	Write short notes on barometric technique.	Remember	2
19	Briefly explain about judgmental approach.	Understand	2
20	Illustrate censes method.	Apply	2

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome
UNIT-II PRODUCTION & COST ANALYSIS			
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 least cost combination of input.	Understand	3
5	State the law of returns to scale.	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 optimum size.	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 CVP analysis.	Understand	3
12	Explain the meaning of P/V Ratio.	Understand	3
13	Write the formula for Break Even Point.	Analyze	3
14	State the formula for Margin of safety Ratio.	Remember	3
15	What are the external economies of scale?	Evaluate	3
16	State about expansion path.	Remember	3
17	Illustrate Cobb-Douglas production function	Apply	3
18	List out different Internal Economies of scale.	Remember	3
19	Write the meaning of Margin of Safety.	Analyze	3
20	State the meaning of Contribution.	Remember	3
UNIT-III MARKETS AND NEW ECONOMIC ENVIRONMENT			
1.	Illustrate perfect competition.	Apply	4
2.	Explain about product differentiation	Understand	4
3.	Discuss about oligopoly.	Remember	4
4.	Identify the market skimming.	Create	4
5.	Describe the Block Pricing.	Understand	4
6.	Explain the market structure.	Apply	4
7.	State the equilibrium price.	Remember	4
8.	Discuss the penetration pricing.	Understand	4
9.	List out the features of Perfect Market.	Remember	4
10.	Discuss the cross subsidization.	Understand	4
11	Illustrate the Sealed Bid pricing.	Apply	4
12	Describe monopolistic competition.	Remember	4
13	Write short notes on Monopoly Competition.	Analyze	4
14	What is promotional pricing?	Understand	4
15	Define market.	Remember	4
16	Discuss about Duopoly	Remember	4
17	Define Monopolistic Competition Market.		
18	List out the features of Monopoly Market.	Remember	4
19	List out the features of Monopolistic Competition Market.	Remember	4
20	Illustrate Price Discrimination.	Apply	4
21	Write short note on Price Maker.	Analyze	4
22	Write short note on Price Taker.	Analyze	4
23	List out the features of Perfect Competition Market.	Remember	4
24	Discuss the Promotional Pricing	Understand	4
25	Explain about the Target Pricing.	Remember	4
26	Write short note Cost plus pricing.	Analyze	4

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome
27	Discuss Marginal cost pricing.	Understand	4
28	**Explain the Group Equilibrium.**	**Understand**	**4**
29	List out the features of Sole Trading	Remember	4
30	List out the features of Partnership	Remember	4
31	List out the features of Company	Remember	4
32	List out the features of Public Enterprises	Remember	4
33	List out the merits of Sole Trading	Remember	4
34	List out the merits of Partnership	Remember	4
35	List out the merits of company	Remember	4
36	List out the demerits of Sole Trading	Remember	4
37	List out the demerits of Partnership	Remember	4
38	List out the demerits of Company	Remember	4
39	Write a short note on Common Seal	Analyze	4
34	What is globalization?	Understand	4
44	Define Business.	Remember	5
45	Illustrate the features of business.	Remember	5
46	Define sole trading.	Remember	5
47	Define Partnership	Remember	5
48	Define Company.	Remember	5
49	List out the features of company.	Remember	5
50	Define Public Enterprise.	Remember	5
51	State Public Corporation.	Remember	5
52	What is unlimited Liability?	Evaluate	5
53	List out different types of Partners.	Remember	5
54	Write any two differences between Public Company and Private company.	Analyze	5
55	Write a short note on Public Limited Company	Analyze	5
56	Write a short note on Private company	Analyze	5
57	Write a short note on Active Partner	Analyze	5
58	Write a short note on Minor Partner	Analyze	5
59	Write a short note on Partner by Estoppel	Analyze	5
UNIT-IV **CAPITAL BUDGETING**			
1	Write short note on the features of fixed capital.	Remember	6
2	Sketch the significance of capital.	Apply	6
3	Discuss the components of working capital.	Understand	6
4	Sketch working capital cycle.	Apply	6
5	Explain Debt Factoring.	Understand	6
6	Write different types of shares.	Analyze	6
8	Write a short note on commercial paper.	Remember	6
9	Write a formula for Pay- back period	Analyze	6
10	Write a formula for Average Rate of Return	Analyze	6
11	Write a formula for Net Present Value	Analyze	6
12	Write a formula for Profitability Index	Analyze	6
13	Write a formula for Internal Rate of Return	Analyze	6
14	Explain the meaning of payback period.	Remember	6
15	Write a note on profitability index.	Analyze	6
16	State the meaning of Net Present Value	Remember	6
17	Define Capital Budgeting	Remember	5
18	List out the Significance of Capital Budgeting	Remember	5
19	List out the limitations of Capital Budgeting	Remember	5
20	List out the factors which are influenced on working capital requirements.	Remember	5
UNIT-V			

S. No	QUESTION	Blooms Taxonomy Level	Course Outcome
	INTRODUCTION TO FINANCIAL ACCOUNTING & FINANCIAL ANALYSIS		
1	Define Financial Accounting.	Remember	7
2	Discuss the meaning of Journal Proper.	Understand	7
3	List out different types of Accounting Concepts.	Remember	7
4	Explain the meaning of Double Entry System.	Understand	7
5	State the meaning of purchase book	Remember	7
6	Define subsidiary books	Remember	7
7	Identify the meaning of trial balance.	Evaluate	7
8	State the errors of principle	Remember	7
9	Describe the Meaning of Errors of Omission	Understand	7
10	Write a note on provisions for doubtful debts.	Analyze	7
11	State the Meaning of Revenue Receipt	Remember	7
12	Explain the meaning of Contra Entry.	Understand	7
13	Illustrate the meaning of ledger account.	Apply	7
14	Explain the meaning of Capital Expenditure.	Understand	7
15	List out different types of Accounting Conventions.	Remember	7
16	Explain a short note on current ratio	Understand	8
17	Identify the formula for Operating ratio.	Apply	8
18	Write the formula for Debt Equity Ratio	Remember	8
19	Indicate the limitations of ratio analysis.	Remember	8
20	Discuss the Return on Capital Employed	Understand	8
21	Indicate the formula for debt collection period?	Understand	8
22	Define Ratio Analysis.	Remember	8
23	State the meaning of Price-Earnings Ratio.	Remember	8
24	Write the meaning of Earnings per share.	Analyze	8
25	Describe two types of capital structure ratios.	Understand	8
26	Identify different types of Activity Ratios.	Create	8
27	State the meaning of Interest Coverage Ratio.	Remember	8
28	Explain the meaning and computing procedure of Return on Capital Employed.	Understand	8
29	Identify the formulas for liquidity ratios.	Evaluate	8
30	What is the formula for Interest Coverage Ratio?	Understand	8

2. Group - II (Long Answer Questions)

S. No	Question	Blooms Taxonomy Level	Course Outcome
	UNIT-I INTRODUCTION & DEMAND ANALYSIS		
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 Demand.	Understand	2
6	Explain the significance/Importance of Elasticity of Demand.	Remember	2
7	Illustrate different types of Price Elasticity of Demand.	Apply	2
8	Write different types of Income Elasticity of Demand.	Apply	2
9	Identify the factors which are influencing/governing Elasticity of Demand.	Analyze	2
10	Consider different methods of Cross Elasticity of Demand.	Understand	2
11	How to measure Price Elasticity of Demand? Explain.(Methods of Price	Remember	2

S. No	Question	Blooms Taxonomy Level	Course Outcome
	Elasticity of Demand)		
12	Define Demand Forecasting. Illustrate different methods of Demand Forecasting.	Apply	2
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
	UNIT-II **PRODUCTION & COST ANALYSIS**		
1	Describe different types of Internal Economies.	Understand	3
2	Briefly explain different types of External Economies.	Remember	3
3	Discuss the significance of Break-Even Analysis.	Understand	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 and Iso-Costs.	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
	UNIT-III **MARKETS & NEW ECONOMIC ENVIRONMENT**		
1	Define Perfect Competition. List out the features of Perfect Competition?	Remember	4
2	Define Monopoly. Discuss the features of Monopoly?	Understand	4
3	How to determine price under Perfect Competition? Illustrate.	Apply	4
4	Discuss price-output determination in case of Monopoly.	Understand	4
5	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
	UNIT-IV **CAPITAL BUDGETING**		
1	Define Capital. Explain its significance.	Remember	6
2	Describe different types of capital.	Create	6
3	Discuss the factors which are influenced on working capital requirement.	Understand	6
4	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

S. No	Question	Blooms Taxonomy Level	Course Outcome
	UNIT-V **INTRODUCTION TO FINANCIAL ACCOUNTING & FINANCIAL ANALYSIS**		
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

3. Group - III (Problems and Analytical Thinking /Analysis Questions)

S.No	QUESTIONS	Blooms Taxonomy Level	Course Outcome
	UNIT-II **PRODUCTION & COST ANALYSIS**		
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.	Understand	3

	iii) Compute the above with the effect of 10% decrease in selling price.		
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: 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
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: 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	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

<table>
<tr><td>8</td><td>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.</td><td>Remember</td><td>3</td></tr>
<tr><td colspan="4">UNIT-IV
CAPITAL BUDGETING</td></tr>
<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.<u>25,000</u>
Total <u>125,000</u>
What is the pay-back period for the project?</td><td>Remember</td><td>6</td></tr>
<tr><td>2</td><td>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>
<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><td>Years</td><td>Project-X (Rs.)</td><td>Project-Y (Rs.)</td></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>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>
</table></td><td>Apply</td><td>6</td></tr>
</table>

<table>
<tr>
<td></td>
<td>
<table>
<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></td>
<td></td>
</tr>
<tr>
<td>5</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>6</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 5th year is Rs.40,000.
Predict (i) Net Present Value.
P.V. of Rs.1 @10%D.f as per Present Value Tables given below:
<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>Apply</td>
<td>6</td>
</tr>
<tr>
<td>7</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
(iv)Discounted Pay-back Period
</td>
<td>Remember</td>
<td>6</td>
</tr>
<tr>
<td>8</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</td>
<td></td>
<td></td>
</tr>
</table>

<table>
<tr><td></td><td>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>9</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>Apply</td><td>6</td></tr>
<tr><td>10</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>
<tr><td>11</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><th>Particulars</th><th>Project-A</th><th>Project-B</th></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>
If the required rate of return is 12% which project should be undertaken?</td><td>Remember</td><td>6</td></tr>
<tr><td colspan="4">UNIT-V
INTRODUCTION TO FINANCIAL ACCOUNTING & FINANCIAL ANALYSIS</td></tr>
<tr><td>1</td><td></td><td></td><td></td></tr>
</table>

	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.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		
4	Write Journal Entries in the books of Mr.Kishore from the following transactions 2014, March 10th Goods purchased from Kamesh Rs.20,000 March 11th Goods returned to Kamesh Rs.2,000 March 12th Amount of Rs.17,500 paid to Kamesh in full settlement of his Account. March 13th Insurance Premium paid to LIC of India by cheque Rs.15,000 March 14th Commission received from Naresh Rs.5,000 March 15th Goods sold to Prasad on credit Rs.30,000 March 16th Prasad returned goods to us Rs.3,000 March 17th A cheque received from Prasad for full settlement of Rs.26,500.		
5	Write Journal Entries in the books of Mr.Pradeep from the following transactions 2010, March 1st Business started by Rama Rao with cash Rs.40,000 , Cheque Rs.25,000 and Stock Rs.25,000. March 2nd Goods taken by proprietor for his personal use Rs.10,000 March 3rd Cash Taken for personal use Rs.5,000		

	March 4th Investment purchased for Rs. 8,000 March 5th Sale of Furniture for Rs.2,000 March 6th Goods sold to Ganesh for 10,000. March 7th Goods returned from Ganesh Rs.2,000 March 7th Cheque received from Ganesh for 3,000 March 8th Ganesh cheque was dishonoured. March 9th Ganesh became insolvent, 0.50 paisa in a rupee was collected from his estate towards final settlement and the remaining balance being Bad Debts.	Remember	7
6	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
7	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		
8	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	Apply	7
9	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	Apply	7
10	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	7
11	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 Bad Debts written off on Debtors Rs.3,000 June 5th Bad Debts recovered from Debtors Rs.1,500 June 6th Rent paid to Naresh Rs.10,000	Understand	7
12	Write Journal Entries in the books Mr. Mahendra from the following transactions: 2006, April 1st Business started with Cash Rs.1,00,000. April 2nd Opened current account with Bank Rs.50,000 April 3rd Interest received on Investment Rs.5,000 April 4th Goods sold to Ramu for Rs.20,000 April 4th Bills receivable Received from Ramu Rs.20,000 for 2 months. April 5th The above Bills receivable was discounted at Bank at 19,800 April 6th The above B/R was dishonoured.	Apply	7
13	Write Journal Entries in the books Mr. Mahendra from the following transactions: 2007,June1st Interest received from Raghu Rs.2,000 June 8th Commission received from Kamesh Rs.7,000 June 9th Cash paid to Srinivas Rs.6,000 June 10th Cheque issued to Srikanth Rs.7,000 June 14th Srikanth cheque was Dishonoured. June 15th Cash received from Kiran Rs.8,000 June 16th Cheque received from Gayathri Rs.10,000 June 20th Gayathri cheque was dishonoured.		
14	Write Journal Entries in the books Mr. Mahendra from the following transactions: 2008, April 1st Goods purchased from Pratap for cash Rs.10,000 April 8th Goods sold to Mahesh on cash Rs.15,000 April 9th Goods purchased from Sarat for Rs.12,000 April 10th Acceptance (B/P) given to Sarat for 3 months for Rs.12,000 April 11th The above B/P was dishonoured. April 12th A cheque received from Hari for Rs.1,000 April 13th Hari's Cheque was dishonoured. April 14th A cheque issued to Malhotra for Rs.7,000 April 30th Malhotra cheque was dishonoured.		
15	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	7
16	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		
17	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	7
18	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	7
19	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	7
20	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	Apply	7
21	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	Remember	7

<table>
<tr>
<td></td>
<td>(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.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</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>Analyze</td>
<td>7</td>
</tr>
<tr>
<td>23</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</td>
<td>Evaluate</td>
<td>7</td>
</tr>
</table>

3. Outstanding Rent Rs.200
4. Prepaid Insurance Rs.60
5. Provide 5% for Doubtful Debts on Debtors.
6. Provide 10% Depreciation on Buildings.

24

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

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

Adjustments:

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

25

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

Apply

7

Debit Balances	**Rs.**	**Credit Balances**	**Rs.**
Land	15,300	sales	41,460
Purchases	11,200	Returns Outwards	420
Salaries	2,200	(P/R)	240
Rent	600	Interest	4,120
Postage	300	Creditors	3,000
Opening Stock	3,100	Loan	12,000
Building	1,700	Capital	
Furniture	1,000		
Debtors	6,000		
Cash in Hand	1,300		
Stationery	240		
Wages	5,200		
Freight & Carriage	560		
inwards	500		
Miscellaneous	900		
Expenses	120		
Repairs	1,020		

Bad Debts Returns Inwards (S/R)	5,640 4,360		
	61,240		61,240

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

26

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

27

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.

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

Remember

8

	40,00,000		40,00,000

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.

28

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

8

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

29

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

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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		
	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

<table>
<tr>
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<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>
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<td>Evaluate</td>
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<td>31.</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
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<td>Understand</td>
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<td>32.</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>
<tr><td></td><td></td><td></td><td></td></tr>
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<td>Remember</td>
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Prepared By, Dr.J.S.V.GOPALA SARMA, PROFESSOR, MBA Department, IARE.

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