

## FACULTY OF ENGINEERING

B.E. 2/4 (M/P/AE) I – Semester (Main) Examination, November 2013

Subject : Managerial Economics and Accountancy

Time : 3 hours

Max. Marks : 75

**Note:** Answer all questions from Part-A. Answer any FIVE questions from Part-B.

### PART – A (25 Marks)

1. Distinguish between economics and managerial economics. (3)
2. Oligopoly market. (3)
3. What are the determinants of demand? (3)
4. Distinguish between firm and industry. (3)
5. Marginal cost and average cost concepts. (3)
6. What are the sources of working capital and fixed capital? (2)
7. Distinguish between N.P.V. and pay-back period. (2)
8. Double entry principle. (2)
9. Subsidiary books. (2)
10. Petty cash book. (2)

### PART – B (5 x 10 = 50 Marks)

11. Define managerial economics and explain its importance in decision making processes.
12. Define the law of demand and discuss its assumptions and limitations.
13. What do you mean by production function and explain, how is it useful in the determination of input output combination of the firm.
14. a) What is meant by break-even point? Discuss its managerial uses. (5)
- b) Calculate the break-even point from the following information ; both in units and sales value. (5)

Out put = 1500 units  
 Variable cost per unit = Rs.10/-  
 Total fixed cost = Rs.10,000/-  
 Selling price per unit = Rs.15/-

15. The management of a company is considering for purchase of two new machines X and Y, each costing Rs,5,00,000 and having a life period of 5 years. Cash flows after tax are expected to be as follows :

Year	1	2	3	4	5
Cash in flows :					
X →	150000	200000	250000	150000	100000
Y →	50000	150000	200000	300000	200000

A discount rate of 10% is to be used. You are asked to advise as to which machine would be more profitable under the ;

- Pay back period method and
- Net present value method

16. From the following Trial Balance of Mr. Bhushan, you are required to prepare trading, profit and loss account and also a balance sheet as on 31-12-2012.

Particulars	Rs.	Rs.
Land & Buildings	50,000	
Plant and Machinery	78,000	
Furniture and fittings	20,000	
Purchases	60,000	
Purchase returns	--	1000
Opening stock	30,000	
Discount allowed	425	
Sundry debtors	54,000	
Sundry creditors	--	44,000
Capital	--	1,18,000
Sales	--	1,50,000
Commission received	--	5,000
Sales returns	1,500	
Discount received	--	5,000
Salaries and wages	10,000	
Rent, rates and taxes	12,000	
Mortgage loan		25,000
Cash in hand	32,075	
	<u>3,48,000</u>	<u>3,48,000</u>

Adjustments :

Closing stock value – Rs.25,000

Depreciate plant and machinery at 10%

Provision for bad debts on Sundry debtors @5%

17. Write a short notes on the following :

- Opportunity cost concept
- Cross elasticity of demand
- Accounting cycle