

## FACULTY OF ENGINEERING

**B.E. 3/4 (E & EE/Inst./ECE) II Semester (Main) Examination, May/June 2011**  
**MANAGERIAL ECONOMICS & ACCOUNTANCY**

Time : 3 Hours ]

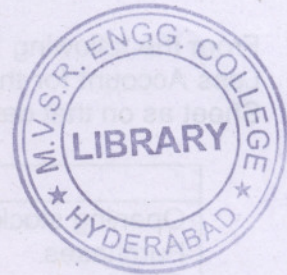
[ Max. Marks : 75

**Note :** Answer all questions from Part – A. Answer any five questions from Part – B.

### PART – A

(Marks : 25)

- |   |   |
|---|---|
| 1. Difference between Economic Theory and Managerial Economics. | 3 |
| 2. Veblen goods and Giffen paradox.                             | 3 |
| 3. Features of Oligopoly Market.                                | 3 |
| 4. Explicit Cost and Implicit Costs.                            | 3 |
| 5. What do you mean by Capital Budgeting ?                      | 3 |
| 6. Principles of Double Entry System.                           | 2 |
| 7. Business entity concept.                                     | 2 |
| 8. Difference between Trial Balance and Balance Sheet.          | 2 |
| 9. Concept of Working Capital.                                  | 2 |
| 10. Firm and Industry.  | 2 |



### PART – B

(Marks : 50)

Answer any five questions.

11. Explain the nature and significance of Managerial Economics. How is it relevance to an Engineer in his decision making process ?
12. What do you mean by Elasticity of Demand and how do you measure the Elasticity of Demand ?
13. Explain the features and causes for monopoly. How the monopolist decides the price for his product ?
14. Explain the concept of production function. How the firm decides its optimum input output combination ?
15. (a) What do you mean by Break-even Analysis ?  
 (b) Calculate (i) P/V Ratio (ii) Sales required to earn a profit of ₹ 25,000 and (iii) Profit when sales are ₹ 1,40,000 from the following information.  
 The sales and profit during two years were as follows :  
 In the year 2008 sales are ₹ 1,50,000 and profit ₹ 20,000, and in 2009 sales are ₹ 1,75,000 and profit ₹ 30,000.

16. From the following information, you are required to calculate and advise which project proposal should be chosen under (i) Pay-back period and (ii) Net present value method.

The initial investment of both the products are ₹ 50,000.

Expected net cash inflows of both projects are as follows :

Year	Project – I (₹)	Project – II (₹)
End of 1 <sup>st</sup> year	15,000	10,000
End of 2 <sup>nd</sup> year	10,000	12,000
End of 3 <sup>rd</sup> year	12,000	18,000
End of 4 <sup>th</sup> year	Nil	22,000
End of 5 <sup>th</sup> year	16,000	10,000

The cost of capital of the company is 10 percent.

17. From the following Trial Balance of a Trader, prepare Trading and Profit & Loss Account for the year ended 31<sup>st</sup> December, 2009 and also a Balance Sheet as on that date :

**Trial Balance**

	Dr. (₹)	Cr. (₹)
Opening stock	50,000	
Purchases	95,000	
Sales	–	1,55,000
Returns	5,500	1,000
Drawings	10,000	
Machinery	1,05,000	
Furniture	25,000	
Wages	5,600	
Carriage	6,500	
Rent & Rates	2,500	
Bad Debts	2,300	
Debtors and Creditors	22,000	25,000
Cash in hand	20,100	
Insurance	4,500	
Salaries	18,000	
Capital	–	1,65,000
Bank overdraft	–	9,500
Discounts	500	1,500
Bills payable	–	16,500
General expenses	1,000	
<b>Total</b>	<b>3,73,500</b>	<b>3,73,500</b>

**Adjustments :**

- (1) Value of closing stock – ₹ 50,000
- (2) Outstanding salaries – ₹ 1,500
- (3) Prepaid insurance – ₹ 500
- (4) Depreciation on machinery at 10%.