

## FACULTY OF ENGINEERING

B.E. 2/4 (Mech./Prod.) I-Semester (Main) Examination, January 2011

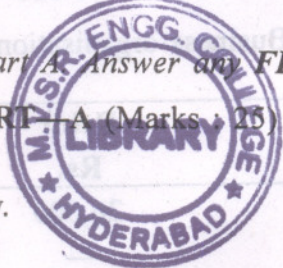
## MANAGERIAL ECONOMICS AND ACCOUNTANCY

Time : Three Hours]

[Maximum Marks : 75

Answer **ALL** questions from Part A. Answer any **FIVE** questions from Part B.

## PART—A (Marks : 25)

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1. Define Managerial Economics. 2
  2. Briefly explain the Law of Supply. 2
  3. What is the Law of Elasticity ? 2
  4. Explain "Wealth Definition" of Economics. 2
  5. What is "Bad Debt" ? 2
  6. Distinguish between Average Cost and Marginal Cost. 3
  7. Explain the importance of subsidiary books. 3
  8. What is "Internal Rate of Return" ? 3
  9. Distinguish between Journal and Ledger. 3
  10. Briefly explain about Liquidity Ratios. 3

## PART—B (Marks : 50)

11. Explain the Law of Demand and discuss the determinants of demand with examples. 10
12. Explain the Economies of Large Scale Production. 10
13. Calculate P/V Ratio, BEP and Margin of Safety from the following particulars :

Sales — Rs. 6,00,000

Fixed expenses — Rs. 1,50,000

**Variable expenses :**

Direct Materials — Rs. 2,00,000

Direct Labour — Rs. 1,20,000

Other expenses — Rs. 80,000

14. A company has an investment proposal costing Rs.1,25,000 with the following cash inflows after taxes and depreciation for five years in future : 10

Years	:	1	2	3	4	5
Cash inflows (Rs.)	:	30,000	40,000	50,000	60,000	70,000

The discount rate is 10%.

**Calculate the following :**

- (a) Payback period
- (b) NPV
- (c) Profitability index.

<b>Years</b>	:	1	2	3	4	5
<b>10% discount factor</b>	:	0.909	0.826	0.751	0.683	0.621

15. Prepare Balance Sheet of a Business organisation from the following Trial Balance as on 31-10-2010 :

Name of the Account	Debit Rs.	Credit Rs.
Stock	26,000	—
Capital	—	3,00,000
Cash in Hand	10,000	—
Drawings	20,000	—
Furniture	20,000	—
Net profit	—	90,000
Buildings	40,000	—
Bills payable	—	16,000
Machinery	2,00,000	—
Bills receivable	30,000	—
Bank O.D.	—	20,000
Debtors	1,20,000	—
Creditors	—	40,000
Total	<u>4,66,000</u>	<u>4,66,000</u>

**Adjustments :—**

Provide depreciation @ 10% on Furniture and Buildings. 10

16. Write notes on :

- (a) Petty cash book 10
- (b) Bank reconciliation statement. 10

17. Explain the features of Perfect Competition and discuss as to how price is determined in Perfect Competition. 10