Code No. : 3075

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.	Veblon 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 1st year	15,000	10,000
End of 2nd year	10,000	12,000
End of 3rd year	12,000	18,000
End of 4th year	Nil	22,000
End of 5th 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 31st 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	
Total	**3,73,500**	**3,73,500**

Adjustments :

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