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| No of Questions | 05 |
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GENERAL SIR JOHN KOTELAWALA DEFENCE UNIVERSITY
BACHELOR OF SCIENCE IN ENGINEERING DEGREE

INTAKE 37 - 6th SEMESTER EXAMINATION -2022 OCTOBER

(Stream – All Engineering Streams)

BUSINESS ECONOMICS AND FINANCIAL ACCOUNTING

(MF 3112)

Answer **All** Questions

Duration: 02 Hours

Part A

Question 01

Write journal entries for the following transactions incurred in ABC Limited for the month of July 2022.

- a. 2nd July 2022 – Purchased goods from XY PLC for Rs. 380,000 on credit
- b. 6th July 2022 – Sold goods to Dee Limited amounting to Rs. 200,000. Received Rs. 50,000 cash at the point of sales and balance on credit.
- c. 6th July 2022 – Returned damaged goods to XY PLC for Rs. 30,000.
- d. 7th July 2022 – Carriage Outwards incurred Rs. 2,000.
- e. 10th July 2022 – Purchased furniture for owner's use from the cash of the business for Rs. 50,000.
- f. 12th July 2022 – Deposited Rs 10,000 in the bank account.
- g. 15th July 2022 – Rent for the month of July is Rs. 35,000 out of which Rs. 20,000 was paid during the month and balance was settled in August 2022.
- h. 25th July 2022 – Settled the outstanding amount of Rs. 350,000 to XY PLC. Discounts received was 10% on this amount.

- i. 28th July 2022 – Interest income received for the month of July, Rs. 15,000.
- j. 31st July 2022 – Obtained a bank overdraft worth Rs. 100,000.

(Total – 20 Marks)

Question 02

1. Star PLC makes a product which has a variable production cost of Rs. 800 and a variable sales cost of Rs. 200 per unit. Fixed costs are Rs. 4,000,000 per annum. The selling price per unit is Rs. 1,800. Current volume of output and sales is 6,000 units per annum. The company is considering whether to have an improved machine for production. Annual hire cost would be Rs.1,000,000 and it is expected that the variable cost of production would fall to Rs. 600 per unit.

Required

- i. Calculate the break-even point before and after purchasing the machinery. (08 Marks)
 - ii. Determine the number of units that must be produced and sold to achieve the same profit as is currently earned, if the machine is hired. (08 Marks)
 - iii. Calculate the annual profit with the machine if output and sales remain at 6,000 units per annum. (08 Marks)
2. Distinguish between financial accounting and management accounting. (06 Marks)

(Total – 30 Marks)

Part B

Answer all the questions

Question 03

Select the most appropriate answer and write in your answer booklet with the corresponding question number.

1. The law of diminishing marginal utility holds that,

- a) as people consume more of a good, total utility increases, then decreases
- b) both water and diamonds have a low marginal utility in the desert
- c) marginal utility diminishes when too much is consumed
- d) increasing consumption leads to smaller additions to total utility

2. To say that some people enjoy consumer surplus means that they,

- a) pay less than they would have been willing to pay for a good
- b) are accomplished shoppers who only purchase products that are good values
- c) pay exactly the amount that a good is worth to them
- d) only purchase items that are on sale since the sale increases the marginal utility-to-price ratio

3. The law of demand tells us that,

- a) the quantity demanded increases as price falls
- b) demand increases because price falls
- c) people respond to price changes
- d) demand creates its own supply, meaning that if there's a demand, supply will be created to satisfy it

4. Producer surplus can be represented graphically in a demand and supply diagram as the,

- a) area between price and the supply curve
- b) slope of the demand curve
- c) elasticity of the demand curve
- d) area above the demand curve

5. Microeconomics studies such topics as,

- a) the factors that determine inflation.
- b) the forces that influence the price of shoes.
- c) the determinants of total output.
- d) whether the unemployment rate will rise or fall.

6. What does the term "free market" denote in terms of economy?

- a) Minimal government intervention in trade and minimum regulations
- b) Maximum government intervention in trade and maximum regulations
- c) Means of production owned by the state
- d) None of the above

7. In terms of economics, what is an "externality"?

- a) Benefits or harm caused by a firm without payment/penalty
- b) Net income from foreign countries
- c) Total exports by a country in a given year
- d) None of the above

8. What is the correct formula for GDP Deflator?

- a) Nominal GDP - (minus) Real GDP
- b) Nominal GDP + Real GDP

- c) Nominal GDP/ Real GDP
- d) Real GDP/ Nominal GDP

9. Macroeconomics is a study of economics that deals with which four major factors:

- a) households, firms, government, and demand-supply
- b) households, firms, government and external sector
- c) firms, government, free-market, and regulations
- d) none of the above

10. Intermediate goods are not included to calculate the final output because:

- a) they do not have value
- b) they have unknown value
- c) their value is included in final goods, so they are not added to avoid the problem of double counting
- d) none of the above

(Marks:2x10=20)

(Total Marks: 20)

Question 04

“Recently government has increased the Value Added Tax (VAT) from 11 to 15 percent”.

Appraise this policy using the framework of policy target, policy instrument and policy goals.

(Total Marks: 15)

Question 05

“The Government intervenes the market when market equilibrium which is decided by market forces of demand and supply are unfavorable to the society”.

Evaluate two main Governmental Interventions in a Market Economy.

(Total Marks: 15)

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