

**CHAITANYA BHARATHI INSTITUTE OF TECHNOLOGY (Autonomous)****BE(MECH, PROD, CSE & IT) II/IV II Sem (Suppl) Examination May – Jun 2016****Managerial Economics and Accountancy****Time: 3 Hours****Max Marks: 75****Note:** Answer all questions from **Section-A** at one place in the same orderAnswer any **five** questions from **Section-B****Section - A (25 Marks)**

1. Explain Discounting principle with example. (3)
2. Describe the factors determining the price elasticity of demand. (3)
3. What are the major features of monopoly? (2)
4. What are the factors of production? (2)
5. Define opportunity cost. Give suitable examples. (3)
6. Discuss the concept of Margin of Safety. (2)
7. Differentiate shares and debentures. (2)
8. Explain the significance of capital budgeting decisions. (3)
9. How are accounts classified? (2)
10. State the rules of double entry. (3)

**Section – B (50 Marks)**

- 11 (a) ‘Managerial Economics’ is prescriptive rather than descriptive in character? (6)  
Examine this statement.
- (b) Discuss the significance of managerial economics to engineers in today’s modern world. (4)
- 12 (a) Define cross-elasticity of demand and state its importance. (5)
- (b) Explain any two methods of demand forecasting. (5)
- 13 (a) What are the main features of monopoly? (4)
- (b) Explain the differences between perfect competition and monopoly. (6)
- 14 (a) Explain the concept of break-even point and point out its assumptions. (4)
- (b) The fixed expenses of a business are Rs. 1,20,000 and variable expenses are 40 percent of sales. (6)  
(i) What profit would be earned from the sales of Rs. 2,50,000?  
(ii) What sales must be achieved in order for the business to break even?
- 15 A Company has at hand two proposals for consideration. The cost of the proposals in both the cases is Rs. 5, 00,000 each. A discount factor of 12% may be used to evaluate the proposals. Cash inflows after taxes are as under. (10)

Year	Project X (Rs.)	Project X (Rs.)
1	1,50,000	50,000
2	2,00,000	1,50,000
3	2,50,000	2,00,000
4	1,50,000	3,00,000
5	1,00,000	2,00,000

Which one will you recommend under NPV method?

- 16 (a) Explain the need for accounting in a business (4)  
 (b) Explain the objectives and advantages of preparing Final accounts. (6)
- 17 From the following trial balance of EverGreen and Company, prepare trading (10)  
 and profit and loss account for the year ending 31<sup>st</sup> December, 2014 and balance sheet  
 as on that date:

Trial Balance as on 31<sup>st</sup> December 2014

Particulars	Debit (Rs.)	Credit (Rs.)
Cash in hand	2400	
Purchases	240000	
Stock on 1 <sup>st</sup> January 2014	70000	
Debtors	100000	
Plant and Machinery	120000	
Furniture	30000	
Bills Receivable	40000	
Rent and Taxes	20000	
Wages	32000	
Salaries	37600	
Capital		200000
Bills Payable		44000
Creditors		48000
Sales		400000
	692000	692000
Additional Information		
(a) Closing inventory as on 31 <sup>st</sup> December 2014 Rs. 50000		
(b) Outstanding wages Rs. 5000		
(c) Depreciation on Plant and Machinery at 10 percent and Furniture at 5 percent.		

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