

Nepal College of Information Technology

Pokhara University

Level: Bachelor

Programme: BE

Course: Engineering Economics

Year : 2016

Full Marks : 40

Time : 1 hr

Candidates are required to give their answer in their own words as far as practicable.

Attempt all questions.

1. Define ecological footprint. Explain the concept of sustainable development. (7)

OR

What do you mean by tax? Explain personal and corporate taxes in Nepalese context.

OR

What is value added tax? Explain briefly the effectiveness of VAT implementation in Nepal.

2. What is depreciation? Consider the following accounting information for a computer system. (8)

Cost basis of the asset (I) = 10,000

Useful Life (N) = 5 years

Salvage value (S) = 0

Use double declining balance conversion to straight line method to compute annual depreciation allowances and resulting book value.

OR

Consider the following accounting information for a computer system.

Cost basis of the asset (I) = Rs. 40,000

Useful Life (N) = 5 years

Salvage value (S) = Rs. 2,500

Use sinking fund method to compute annual depreciation allowances and resulting book value. Interest rate for the asset is 10%.

OR

A machine is costing of Rs. 5,00,000 with estimated salvage value Rs. 5,000 at the end of 5th year. Find depreciation amount and book value by (i) Straight line (ii) Declining balance (iii) sum of years digit (SOYD) methods for each year.

3. Explain cost of capital. Briefly explain the equity financing, debt financing and calculating cost of capital. (7)

OR

Define debt and equity financing. Differentiate between them. If Asian Electric company presently pays a dividend of Rs. 12 per share and has a share price of Rs. 110. The expected growth was 8% for ever, then what is the required return on retained earnings?

OR

What do you know about equity financing and debt financing? Explain way to project funding mechanisms by giving examples.

4. What is income statement and balance sheet? Develop detail format of income statement and balance sheet. How are they related to each other? (8)

OR

What is balance sheet? Prepare balance sheet of ABC Company from the following information as on 31st December 2014.

Capital	40,000	Building	30,000
Sundry Debtors	15,000	Furniture	12,500
Cash in hand	4,000	Cash at bank	7,500
Bank Overdraft	8,500	Bills receivables	4,500
Sundry Creditors	3,500	Closing Stock	3,500
Reserve Funds	4,500	Net Profit	20,500

OR

The following is trial balance of Acharya Company.

Particulars	Debit (Rs.)	Credit (Rs.)
Capitals		2,00,000
Plant and Machinery	50,000	
Furniture and Fitting	75,000	
Motor Van	24,000	
Sundry Debtors	40,000	
Cash at Bank	7,000	
Wages	1,50,000	
Purchase and Sales	2,13,000	4,00,000
Bills receivable and payable	35,000	15,000
Sundry Creditors		20,000
Salaries	36,000	
Drawings	20,000	
Discount received		10,000
Bank loan		30,000
General Reserve		20,000
Opening Stock	40,000	
Bad Debt	5,000	
Total	6,95,000	6,95,000

Value of closing stock=52,000; Net Profit=18,000. Required: Income Statement and Balance Sheet.

OR

Define ratio analysis and its importance. What are the major ratios that can be applied in decision making?

5. Write short notes on (any two):

(10)

- | | |
|---|--|
| a. Taxation Law in Nepal | h. Factors affecting Capital Structure |
| b. Public Private Partnership | i. After Tax Cash Flow Estimates and Economic Analysis |
| c. FIRR and EIRR | j. Fundamental Equation of Accounting |
| d. Economic Theory and Ecological Limit | k. Economic and Accounting Depreciation |
| e. Overcoming Ecological Limit | l. Book and Tax Depreciation Methods |
| f. Cash Flow Statement | |
| g. Weighted Average Cost of Capital | |