



**SIR C.R.REDDY COLLEGE OF ENGINEERING**

**ELURU-534007, WEST GODAVARI DIST, A P., INDIA**

(Approved by AICTE, New Delhi )

***Accredited by NBA***

Phone no: 08812-230840, 2300656 Fax: 08812-224193

Visit us at <http://www.sircrrengg.ac.in>

**DEPARTMENT OF INFORMATION TECHNOLOGY**

**COURSE HANDOUT**



**SUBJECT: Managerial Economics and Financial Accountancy (R2022055)**

**CLASS: II/IV B.Tech II SEMESTER, A.Y.2022-23**

**INSTRUCTOR: SRI Y.SIVA KOTESWARA RAO**



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## DEPARTMENT OF INFORMATION TECHNOLOGY

### Course Handout Index

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## **College Vision & Mission**

**Vision:** To emerge as a premier institution in the field of technical education and research in the state and as a home for holistic development of the students and contribute to the advancement of society and the region.

**Mission:** To provide high quality technical education through a creative balance of academic and industry oriented learning; to create an inspiring environment of scholarship and research; to instill high levels of academic and professional discipline; and to establish standards that inculcate ethical and moral values that contribute to growth in career and development of society in general.

## **Department Vision & Mission**

**Vision:** To be a premier department in the region in the field of Information Technology through academic excellence and research that enable graduates to meet the challenges of industry and society.

**Mission:** To provide dynamic teaching-learning environment to make the students industry ready and advancement in career; to inculcate professional and leadership quality for better employability and entrepreneurship; to make high quality professional with moral and ethical values suitable for industry and society.

## **Program Educational Objectives (PEOs)**

**PEO1:** Solve real world problems through effective professional skills in Information Technology industry and academic research.

**PEO2:** Analyze and develop applications in Information Technology domain and adapt to changing technology trends with continuous learning.

**PEO3:** Practice the profession in society with ethical and moral values.

## **Program Outcomes (POs)**

**PO1: Engineering Knowledge:** Apply the knowledge of mathematics, science, engineering fundamentals, and an engineering specialization to the solution of complex engineering problems.

**PO2: Problem Analysis:** Identify, formulate, research literature, and analyze complex engineering problems reaching substantiated conclusions using the first principles of mathematics, natural sciences, and engineering sciences.

**PO3: Design/Development of Solutions:** Design solutions for complex engineering problems and system components or processes that meet the specified needs with appropriate consideration for the public health and safety, and the cultural, society, and environmental considerations.

**PO4: Conduct Investigations of Complex Problems:** Use research-based knowledge and research methods including design of experiments, analysis and interpretation of data, and synthesis of the information to provide valid conclusions.

**PO5: Modern Tool Usage:** Create, select, and apply appropriate techniques, resources, and modern engineering and IT tools including prediction and modeling to complex engineering activities with an understanding of the limitations.

**PO6: The Engineer and Society:** Apply reasoning informed by the contextual knowledge to assess societal, health, safety, legal and cultural issues and the consequent responsibilities relevant to the professional engineering practice.

**PO7: Environment and Sustainability:** Understand the impact of the professional engineering solutions in society and environmental contexts, and demonstrate the knowledge of, and need for sustainable development.

**PO8: Ethics:** Apply ethical principles and commit to professional ethics and responsibilities and norms of the engineering practice.

**PO9: Individual and Team Work:** Function effectively as an individual, and as a member or leader in diverse teams, and in multi-disciplinary settings.

**PO10: Communication:** Communicate effectively on complex engineering activities with the engineering community and with society at large, such as, being able to comprehend and write effective reports and design documentation, make effective presentations, and give and receive clear instructions.

**PO11: Project Management and Finance:** Demonstrate knowledge and understanding of the engineering and management principles and apply these to one's own work, as a member and leader in a team, to manage projects and in multi-disciplinary environments.

**PO12: Life-long Learning:** Recognize the need for, and have the preparation and ability to engage in independent and life-long learning in the broadest context of technological change.

### **Program Specific Outcomes (PSOs)**

**PSO1: Design Skill:** Design and develop softwares in the area of relevance under realistic constraints.

**PSO2: New Technology:** Adapt new and fast emerging technologies in the field of Information Technology.

# JNTUK Academic Calendar

Website: www.jntuk.edu.in  
Email: dap@jntuk.edu.in

Phone: 0884-2300991

**Directorate of Academic Planning**  
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY KAKINADA  
KAKINADA-533003, Andhra Pradesh, INDIA  
(Established by AP Government Act No. 30 of 2008)

Ln. No. D4PRAC/II Year /B. Tech/2022 Date: 02.11.2022

**Dr. KVSG Murali Krishna,**  
M.E., Ph.D.  
Director, Academics & Planning  
JNTUK, Kakinada

To  
All the Principals of Affiliated Colleges,  
JNTUK, Kakinada.

**Revised Academic Calendar for II Year - B. Tech for the AY 2022-23  
(2021-22 Admitted Batch)**

I SEMESTER			
Description	From	To	Weeks
Community Service Project	22.08.2022	03.09.2022	3W
I Unit of Instruction	05.09.2022	29.10.2022	8W
I Mid Examinations	24.10.2022	29.10.2022	
II Unit of Instructions	31.10.2022	24.12.2022	8W
II Mid Examinations	19.12.2022	24.12.2022	
Community Service Project for Lateral Entry Students, Preparation & Practicals	26.12.2022	14.01.2023	3W
End Examinations	18.01.2023	28.01.2023	2W
Commencement of II Semester Class Work	28.01.2023		
II SEMESTER			
I Unit of Instructions	30.01.2023	25.03.2023	8W
I Mid Examinations	20.03.2023	25.03.2023	
II Unit of Instructions	27.03.2023	20.05.2023	8W
II Mid Examinations	15.05.2023	20.05.2023	
Preparation & Practicals	22.05.2023	27.05.2023	1W
End Examinations	29.05.2023	10.06.2023	2W

\* As per the APSICHE Guidelines Out of the Total 180 hours of Community Service Project leading to 4 Credits, two weeks will be offline and remaining project work can be done during the II-I semester weekends and holidays.

*KVSG*  
Director,  
Academics & Planning, JNTUK  
Kakinada

Copy to the Secretary to the Hon'ble Vice Chancellor, JNTUK  
Copy to Rector, JNTUK

## Department Academic Calendar

**Sir C R Reddy College of Engineering :: Department of Information Technology  
II/IV B.Tech Academic Calendar for 2022-23**

2022-23	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M			
Jul 22						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31				
Aug 22		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31								
Sep 22					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30						
Oct 22					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31					
Nov 22			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30								
Dec 22					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31					
Jan 23	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31									
Feb 23				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28									
Mar 23				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31						
Apr 23					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30						
May 23		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31								
Jun 23				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30							

<b>List of Holidays</b>	Oct 5: Vijayadasami	Mar 8: holi	Mid exams
July 10: Bakrid	Oct 9: Maulud Nabi	Mar 22: Ugadhi	End Examinations
Aug 9: Moharum	Oct 24: Diwali	Mar 30: Sricama navami	Commencement of Class work
Aug 15: Independence day	Dec 25: Christmas	Apr 5: Babu Jagjivan Ram Jayanti	Workshops
Aug 19: Janmastami	Jan 14-16: sankranti	Apr 7: Good friday	Department fest/Elite
Aug 31: Ganesh Chaturdi	Jan 26: Republic Day	Apr 14: Ambetkar Jayanthi	Community Service Project
Oct 2: Gandhi jayanthi	Feb 18: Sivaratri	Jun 29: Bakrid	

**HoD**  
**Department of IT**

## Course Description

- To enable the student to understand and appreciate, with a practical insight, the importance of certain basic issues governing the business operations that are needed for sound economic decision making.
- The main purpose is to provide inputs on an overall analysis of an individual firm namely: demand and supply, production function, cost analysis, markets etc.
- To understand and analyze the financial formats of the organization for smooth running of the business.

## Course Objectives

- The Learning objectives of this paper are to understand the concept and nature of Managerial Economics and its relationship with other disciplines and also to understand the Concept of Demand and Demand forecasting
- To familiarize about the Production function, Input Output relationship, Cost-Output relationship and Cost-Volume-Profit Analysis
- To understand the nature of markets, Methods of Pricing in the different market structures and to know the different forms of Business organization and the concept of business Cycles
- To learn different Accounting Systems, preparation of Financial Statement and uses of different tools for performance evaluation
- Finally, it is also to understand the concept of Capital, Capital Budgeting and the technique used to evaluate Capital Budgeting proposals

## Course Outcomes

Students are able to

CO No's	Cos	Level
CO1	Students will be able to <b>Understand</b> the fundamental concepts of managerial economics, production & cost analysis, markets & pricing strategies, accounting & financing analysis and capital budgeting.	L2
CO2	Students will be able to <b>Apply</b> production cost analysis, capital budgeting, financial analysis techniques in evaluating various investment opportunities.	L3
CO3	Students will be able to <b>Analyze</b> the various aspects of managerial economics, production & cost analysis, markets & pricing strategies, accounting & financing analysis and capital budgeting.	L4
CO4	Students will be able to <b>Evaluate</b> the performance evaluation of production cost analysis, financial statements and investment project proposals with the help of accounting tools and capital budgeting techniques.	L5

## CO-PO/PSO MAPPING

CO	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8	PO 9	PO 10	PO 11	PO 12	PSO 1	PSO 2
CO1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CO2	-	3	-	-	-	-	-	-	3	-	-	2	-	-
CO3	-	3	-	-	-	-	-	-	1	-	-	1	-	-
CO4	-	3	-	-	-	-	-	-	2	-	-	1	-	-
Avg	-	3.0	-	-	-	-	-	-	1.5	-	-	1.0	-	-

### Lesson Plan

S. No	Unit	Topic	Teaching Aids	COs
1	I	<b>UNIT-I: Introduction to Managerial Economics and demand Analysis</b>	BB/LCD	CO1
2		Introduction to Managerial Economics and demand Analysis	BB/LCD	CO1
3		Definition of Managerial Economics	BB/LCD	CO1
4		Scope of Managerial Economics	BB/LCD	CO1
5		relationship with other subjects	BB/LCD	CO1
6		Concept of Demand	BB/LCD	CO1
7		Types of Demand, Determinants of Demand	BB/LCD	CO1
8		limitations- Elasticity of Demand, Types of Elasticity of Demand and Measurement	BB/LCD	CO1
9		Demand forecasting, Methods of forecasting	BB/LCD	CO1
10		Concept of Supply	BB/LCD	CO1
11		Law of Supply	BB/LCD	CO1
12	II	<b>UNIT-II: Theories of Production and Cost Analyses</b>		
13		Theories of Production function- Law of Variable	BB/LCD	CO2
14		proportions-Isoquants and Isocosts	BB/LCD	CO2
15		choice of least cost factor combination-	BB/LCD	CO2
16		Concepts of Returns to scale and Economies of scale	BB/LCD	CO2
17		Different cost concepts	BB/LCD	CO2
18		opportunity costs	BB/LCD	CO2
19		Explicit and implicit costs-	BB/LCD	CO2
20		Fixed costs, Variable Costs and Total costs	BB/LCD	CO3

21		Volume-Profit analysis	BB/LCD	CO3
22		Determination of Breakeven point(problems)	BB/LCD	CO3
23		Managerial significance	BB/LCD	CO2
24		Limitations of Breakeven point.	BB/LCD	CO2
25		<b>UNIT-III: Introduction to Markets, Theories of the Firm &amp; Pricing Policies</b>		
26		Market Structures: Perfect Competition, Monopoly.	BB/LCD	CO2
27		Monopolistic competition and Oligopoly – Features – Price and Output	BB/LCD	CO2
28		Determination – Managerial Theories of firm: Marris and Williamson’s models	BB/LCD	CO2
29		other Methods of Pricing	BB/LCD	CO3
30	<b>III</b>	Average cost pricing, Limit Pricing, Market Skimming Pricing	BB/LCD	CO3
31		Internet Pricing: (Flat Rate Pricing, Usage sensitive pricing) and Priority Pricing	BB/LCD	CO4
32		Business Cycles : Meaning and Features	BB/LCD	CO2
33		Phases of a Business Cycle	BB/LCD	CO1
34		Features and Evaluation of Sole Trader, Partnership.	BB/LCD	CO3
35		Joint Stock Company – State/Public Enterprises and their forms	BB/LCD	CO2
36		<b>UNIT-IV: Introduction to Accounting &amp; Financing Analysis</b>		
37		Introduction to Double Entry System	BB/LCD	CO1
39		Trail Balance and Preparation of Final Accounts with adjustments	BB/LCD	CO1
40		Journal	BB/LCD	CO1
41		Ledger	BB/LCD	CO1
42	<b>IV</b>	Trail Balance	BB/LCD	CO1
43		Preparation of Final Accounts with adjustments	BB/LCD	CO4
44		Preparation of Financial Statements-Analysis	BB/LCD	CO4
45		Interpretation of Financial Statements-Ratio Analysis	BB/LCD	CO4
46		Preparation of Funds flow	BB/LCD	CO4
47		cash flow analysis (Problems)	BB/LCD	CO4



48	<b>V</b>	<b>UNIT-V: Capital and Capital Budgeting</b>		
49		Capital Budgeting	BB/LCD	CO1
50		Meaning of Capital- Capitalization	BB/LCD	CO1
51		Meaning of Capital Budgeting	BB/LCD	CO1
52		Time value of money	BB/LCD	CO1
53		Methods of appraising Project profitability	BB/LCD	CO1
54		Traditional Methods	BB/LCD	CO3
55		Payback period - EXAMPLES	BB/LCD	CO3
56		accounting rate of return	BB/LCD	CO3
57		modern methods(Discounted cash flow method)	BB/LCD	CO4
58		Net Present Value method,	BB/LCD	CO4
59		Internal Rate of Return Method and	BB/LCD	CO4
60		Profitability Index	BB/LCD	CO4

### Evaluation Pattern

(iv) Distribution and Weightage of marks:

The assessment of the student's performance in each course will be based on Continuous Internal Evaluation (CIE) and Semester-End Examination (SEE). The performance of a student in each semester shall be evaluated subject-wise with a maximum of 100 marks for theory subject and 50 marks for practical subject. For theory subjects the distribution shall be 30 marks for Internal Evaluation and 70 marks for the End Examinations.

S. No	Components	Internal	External	Total
1	Theory	30	70	100
2	Engineering Graphics/Design/Drawing	30	70	100
3	Practical	15	35	50
4	Mini Project/Internship/Industrial Training/ Skill Development programmes/Research Project	-	50	50
5	Project Work	60	140	200

Marks Range Theory (Max – 100)	Marks Range Lab (Max – 75)	Letter Grade	Level	Grade Point
≥ 90	≥ 67	O	Outstanding	10
≥80 to <90	≥60 to <67	S	Excellent	9
≥70 to <80	≥52 to <60	A	Very Good	8
≥60 to <70	≥45 to <52	B	Good	7
≥50 to <60	≥37 to <45	C	Fair	6
≥40 to <50	≥30 to <37	D	Satisfactory	5
<40	<30	F	Fail	0
			Absent	0

## Timetable

Day/Time	09.00-09.50	09.50-10.40	11.00-11.50	11.50-12.40	01.40-02.30	02.30-03.20	03.20-04.10	04.10-05.00
Mon						2B		
Tue			2A		2B			MEFA(M)
Wed		2B				2A		
Thu	2A					2B		
Fri	2B		2A					
Sat	2A							MEFA(R)

## Unit wise Questions

### Unit I

- 1) Define Managerial Economics and discuss the scope of Managerial Economics.
- 2) Explain the nature of Demand. What could be the different types of demand?
- 3) What do you mean by Elasticity of demand?
- 4) Describe the Qualitative methods of demand forecasting.
- 5) What is the relationship of Managerial Economics with other subjects?
- 6) Explain the Law of demand and the assumptions and exceptions to this law.
- 7) What are the factors influencing demand for a commodity.
- 8) Explain the different kinds of Elasticity of demand with suitable diagrams.
- 9) What are the different methods of Demand forecasting. Exemplify any two of them.
- 10) Managerial Economics consists of the use of economic modes of thought to analyze business saturations. Explain.
- 11) Explain the Law of demand with the help of demand curve and demand schedule.
- 12) Distinguish between Price-elasticity, Income-elasticity and Cross-elasticity.
- 13) What is the importance of Demand forecasting? How is the forecast made?
- 14) Define demand and explain the determinants of demand.
- 15) Define managerial economics. Elaborate the importance of managerial economics in decision making.
- 16) Explain the scope of Managerial Economics.
- 17) What is Demand Forecasting? Explain different methods in it.
- 18) What is Elasticity of Demand? What are the various factors affecting price elasticity of demand?
- 19) Explain the Law of Supply with the help of Supply Curve.

### Unit II

- 1) Explain how Cost-Output relationship helps the entrepreneurs in expansion decisions.
- 2) A company budgeted output is 90000 units fixed expenses is Rs.450000/-; variable expenses per unit is Rs.12/- and selling price per unit is Rs.25/- calculate BEP.
- 3) Discuss different costs in cost analysis.

- 4) A firm has a fixed cost of Rs.600000/-; selling price per unit is Rs.600/- and variable cost per unit is Rs.350/- present level of production is 42000 units, calculate BEP in terms of volume and sales value.
- 5) Explain the concepts of isoquants and isocosts. Analyze how the manufacturer reaches the least cost combination of inputs. Illustrate with an example.
- 6) Discuss the concept of return to scale and economics of scale.
- 7) Explain different cost concepts underlying business decision making.
- 8) Define Production function. Explain about Cobb-Douglas Production function.
- 9) How are short run and long run identified? What do you understand by Long run Average cost curve? Explain how it is different from Short run average cost curves.
- 10) A manufacturer sells his product at Rs. 5 each. Variable costs are Rs.2 per unit and the fixed costs amount to Rs. 60,000.
  - i. Calculate the break-even point.
  - ii. What would be the profit if the firm sells 30,000 units?
  - iii. What would be the BEP if the firm spends Rs.3,000 on advertising?
  - iv. How much should be the manufacturer sell to make a profit of Rs.30,000 after spending Rs.3,000 for advertisement?
- 11) Explain Law of Variable Proportions.
- 12) Explain Cobb-Douglas Production Function.
- 13) What is meant by the term "Production Function". How can a production function aid in decision making?
- 14) What are "Returns to scale". How do they arise?
- 15) Differentiate between Fixed cost and Variable cost. Give examples of each.
- 16) If a company makes a single product with sales price of Rs. 10, variable cost of Rs. 6 and fixed cost of Rs. 60,000. Find (a) Number of units to break even (b) Sales at break-even (c) Contribution to sales ratio.
- 17) What are the sources of External economies?
- 18) Explain "Opportunity Cost" by giving an example.
- 19) XYZ Company has a fixed cost of Rs. 24,000; selling price per unit at Rs. 12 and variable cost per unit is Rs. 8. Find (a) BEP in terms of volume and value and (b) the margin of safety at 18,000 units of production.
- 20) What is Isoquant? Illustrate the types of Isoquants.
- 21) Discuss the types of internal economies available to a firm.
- 22) Distinguish between Implicit cost and Explicit cost.
- 23) Illustrate Break-even analysis with help of Break-even chart.
- 24) Appreciate the managerial uses of Production function.
- 25) Explain any four Cost concepts.
- 26) What is Cost-Volume-Profit analysis? What are its uses and limitations?

### UNIT-3

- 1) Define pricing and explain the different pricing methods.
- 2) Illustrate the price determination in case of monopolistic competition.
- 3) Explain about the features of Oligopoly.
- 4) Discuss about managerial theories of a firm.
- 5) Discuss price-output determination in case of Perfect competition.
- 6) Explain any two pricing methods in detail.
- 7) Explain the features of perfect competition market. State the conditions of equilibrium of a firm in perfect competition market.
- 8) What is perfect competition? State its features and how the price is determined in this market structure.
- 9) Define Market and explain how markets are classified?
- 10) What is price discrimination? Discuss the essential conditions for price discrimination.
- 11) Explain Perfect Competition and its characteristics.

- 12) Explain Oligopoly and price discrimination in Oligopoly market.
- 13) What is Kinked Demand Curve? Explain diagrammatically.
- 14) What is Monopolistic Competition? Explain its characteristics.
- 15) What is Price Discrimination? Explain time element of price discrimination.
- 16) Explain briefly Morris and Williamson's Models of managerial theories.
- 17) Compare and contrast Monopoly and Monopolistic competition.
- 18) What are the main features of the theories of firm as given by Williamson?
- 19) Discuss different Internet pricing methods.
- 20) What is a Business Cycle? What are its characteristics?
- 21) Describe the various forms of Public Enterprises in India.
- 22) Describe briefly the different phases of a Business Cycle.
- 23) What is a Joint Stock Company? List and explain its salient features.

#### UNIT-4

- 1) What is financial statement analysis and explain its objectives?
- 2) Ram & Co Total sales is Rs.8,00,000 ; selling and administration expenses Rs.2,00,000 and sales returns Rs.50,000 calculate gross profit ratio and net profit ratio and comment on it.
- 3) What is ratio? How its helps to take managerial decisions? 4) X company's Current assets Rs.5,00,000; current liabilities are Rs.3,00,000 and closing stock is Rs.1,00,000 calculate current ratio and quick ratio and analyze them.
- 4) Distinguish nature and significance of Fund flow Vs cash flow statements. [7]
- 5) Explain the significance of financial statements.
- 6) Define Double Entry System. Describe the important records in Double Entry System .Also list advantages and Disadvantages of Double Entry System.
- 7) Explain classification of accounts with suitable examples.
- 8) Discuss the significance and utility of ratio analysis in financial decision making.
- 9) M/s Ramji & Co. provides you with this Profit and Loss Account and Balance Sheet for the previous two years. The Directors are interested in tracking down the activities that generated cash inflows during the year ending 31st March 2019. Prepare a Cash Flow statement from details given here under:

Balance Sheet of M/s Ramji & Co. as on 31st March 2019.

<b>Liabilities</b>	<b>2018</b>	<b>2019</b>	<b>Assets</b>	<b>2018</b>	<b>2019</b>
Equity Share	2,50,000	5,00,000	Fixed	4,00,00	5,00,000
Capital	50,000	20,000	Assets(Land)	0	-
Preference Share	1,00,000	40,000	Investments	2,00,00	3,00,000
Capital	-	30,000	Machinery	0	2,00,000
Debentures	1,00,000	1,19,000	Cash In hand	1,50,00	
Long Term	2,91,000	2,91,000		0	
Borrowings				41,000	
Net Profit					
Reserves &	-----				
Surplus	--	10,00,000			10,00,000
	7,91,000			-----	
				-	
				7,91,00	
				0	

Profit and Loss Account of M/s Ramji & Co. for the year ending 31st March 2019.

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
To Purchases (Cash)	15,000	By Sales(Cash)	30,000
To Salaries and Wages	5,000	By Interest Received	10,000
To Income Tax	1,000	By Dividend Income`	15,000

To Debenture Interest	6,000		
To Dividend (Preference + Equity)	9,000		
To Net Profit	19,000		
	-----		-----
	55000		55000

10) Prepare Trading and Profit and Loss Account of M/s. Gupta and Sons for the year ending 31st December, 2020 from the following information

Particulars	(Rs.)
Stock (1-1-2020)	2,00,000
Purchases	2,55,000
Wages	1,00,000
Carriage	5,000
Purchase returns	13,250
Export duty	9,000
Sales	5,75,000
Coal and Coke	25,000
Sales returns	10,000
Printing and Stationery	2,250
Stock (31-12-2020)	3,00,000
Salaries	30,000
Rent and Taxes	12,000
Depreciation	3,020
Repairs	6,000
Discount allowed	12,505
Bad debts	9,000
Advertisement	2,500
Gas and Water	1,500
Factory lighting	2,500
General expenses	4,000

11) Prepare final accounts for Priyank for the year ended 31st March, 2020 from the following information.

Particulars	Debit balance (Rs.)	Credit balance (Rs.)
Cash in hand	4,500	
Purchases	10,500	
Sales		15,000
Returns	2,000	500
Opening stock	5,000	
Carriage inwards	1,000	
Bad debts	1,000	
Rent	4,000	4,000
Commission	1,000	2,000
Discount	2,000	1,500
Machinery	10,000	
Debtors	9,000	
Interest	1,000	3,000
Creditors		1,000
Capital		23,000
Provision for bad debts		1,000
<b>Total</b>	<b>51,000</b>	<b>51,000</b>

**Adjustments:**

1. Closing stock is Rs. 15,000

2. Depreciate machinery at 10%
3. Further Bad debts are Rs. 1,000
4. Make a provision for Bad Debts at 10% on debtors.

### UNIT-5

1. What do you understand by working capital cycle and what is its importance.
2. Describe the institutions providing long-term finance.
3. What do you understand by NPV method of appraising long-term investment proposal? Explain with the help of a proposal of your choice.
4. What is ARR and Payback period? Compare and contrast the two methods.
5. What are the components of working capital? Explain each of them/ explain the factors affecting the requirements of working capital.
6. What are the merits & limitations of Pay back period? How does discounting approach overcome the limitation of payback period?
7. Give various examples of capital budgeting decisions classify them into specific kinds.
8. What is the importance of capital budgeting? Explain the basic steps involved in evaluating capital budgeting proposals.
9. What is NPV & IRR Compare and contrast the two methods of evaluating capital budgeting proposals.
10. What are major sources of short-term finance?
11. What is meant by discounting and time value of money? How is it useful in capital budgeting?
12. A project costing Rs.1,60,000/-, Annual cash inflows of Rs 80000/- after taxes for a period of six years. How much is the NPV if the firm expects 15% per annum (PVF 0.870, 0.756, 0.658, 0.572, 0.497, 0.432 for year one to six years respectively)
13. An investment opportunity initial outlay is Rs.3,20,000/- and annual cash inflows after tax Rs.90,000 for a period of five years. Calculate payback period.
14. Compare and contrast the NPV and ARR methods of evaluating investment proposals and illustrate with examples
15. Distinguish the features of discounting and non-discounting methods.
16. How is Profitability Index of a project calculated? What are its advantages?
17. ABC company is considering the purchase of machine. Two machines X and Y each costing Rs.50,000 is available. Earnings after taxes in Rs are expected to be as under:

Year	1	2	3	4	5
Machine 'X'	15000	20000	25000	15000	10000
Machine 'Y'	5,000	15000	20000	30000	20000

Estimate the two alternatives according to:

(i) Payback method, and

(ii) NPV method a discount rate of 10% is to be used.

18. A firm can invest Rs. 1,00,000 in project with a life of 3 years. The projected cash flows are given hereunder. The Cost of capital is 10% per annum. Should the investment be made under NPV method.

Year 1	40,000
Year 2	50,000
Year 3	40,000