

R18

Code No: 155BD

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

B. Tech III Year I Semester Examinations, March - 2021

ENGINEERING ECONOMICS AND ACCOUNTANCY

(Common to CE, MMT)

Time: 3 Hours

Max. Marks: 75

Answer any five questions
All questions carry equal marks

- 1.a) Define Supply and discuss the law of supply.
b) What is meant by demand forecasting? Explain the methods used in demand forecasting and their limitations. [7+8]

2. How is National Income derived? What is the GDP? What information does it give us about a nation? What is per capita income? If you wanted to know about the economy of a country, which would you consider more important, and why? [15]

3. A company is considering an investment proposal to install new machine. The project will cost Rs. 50,000 and will have life and no salvage value. Tax rate is 50% the company follows straight-line method of depreciation. The net earnings before depreciation and tax is follows:

Year	1	2	3	4	5
EBDT(Rs)	10,000	11,000	14,000	15,000	25,000

Evaluate the project by using:

- a) PBP b) ARR c) NPV @10% d) IRR e) PI@10% [15]

4. The Udipi Tiffins Company is contemplating investing Rs.1 million in four new outlets in Hyderabad. Ranjay Kamat, the firm's chief financial officer (CFO), has estimated that investments will pay out cash flows of Rs.2,00,000 per year for nine years and nothing there after. (The cash flows will occur at the end of each year and there will be no cash flow after year 9) Mr. Kamat has determined that the relevant discount rate for this investment is 15%. This is the rate of return that the firm can earn at comparable projects. Should the Udipi Tiffins Company make the investments in the new outlets? [15]

5. Explain the EBIT- EPS analysis with suitable example. [15]

6. If the use of financial leverage magnifies the earnings per share under favorable economic conditions, why do companies not employ very large amount of debt in their capital structure. [15]

7. "Break-even analysis is based on a simplified model of a business which is unrealistic", Explain and give your answer. [15]

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8.a) What is a Balance sheet? Explain the distinction between trading and profit and loss account and Balance sheet.

AG b) Record the journal entries for the following: AG AG AG A

1 - Business started with cash 8,000 and plant & machinery 3,000.

2 - Stock purchase for sale (cash purchase) = 3,000, credit purchase = 5,000

3 - Wages paid 120,000 (including 20,000 relating to a future year).

4 - Salaries paid 200,000 but due 110,000.

5 - Sales made for cash 600,000 and on credit 800,000.

AG 6 - Depreciation 10 percent on plant & machinery. AG AG AG A

7 - Goods costing 20,000 destroyed by fire.

8 - Payment made to creditors to the value of 200,000 at 10 percent discount. [7+8]

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