



SIDDHARTH GROUP OF INSTITUTIONS :: PUTTUR
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QUESTION BANK (DESCRIPTIVE & OBJECTIVE)

Subject with Code : MEFA(15A52301)

Course & Branch: (B)Tech - CSE

Year & Sem: II-(B)Tech & I-Sem

Regulation:

UNIT -I

1. Define Managerial Economics. Explain its Nature and Scope. 10 M
2. What is Managerial Economics? How does it differ from economics? 10 M
3. "Managerial economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management". Explain. 10 M
4. What is the significance of Managerial Economics in decision making. 10 M
5. Define demand and describe its determinants with suitable examples. 10 M
6. Distinguish between substitutes and complements with examples. How does this distinction of goods help in business decision making? 10 M
7. State the 'Law of Demand'. What are the various factors that determine the demand for a Mobile Phone? 10 M
8. Explain Cross Elasticity of Demand. 10 M
9. State the demand forecasting techniques. 10 M
10. Short answer questions:
 - (A) Income Elasticity of Demand 2 M
 - b) Elasticity of Demand 2 M
 - c) Macro Economic Environment 2 M
 - d) Time Series Analysis 2 M
 - e) Survey Methods 2 M

UNIT - I

1. The statements that contain the word ‘ought to’ are called []
(A) Prescriptive (B) Normative
(C) Assertive (D) Negative

2. Managerial Economics is close to []
(A) Micro Economics (B) Macro Economics
(C) Theory of Income and Employment (D) Theory of wages and Employment

3. Integration of economic theory with business practice is called []
(A) Managerial Economics (B) Economics
(C) Macro Economics (D) None

4. Which of the following is NOT a problem of business? []
(A) Optimization of inputs (B) Minimization of costs
(C) Maximization of revenue (D) Increased property tax collections

5. Who said that economics is the study of nature and uses of national wealth? []
(A) Paul A Samuelson (B) Prof.Lionel Robbins
(C) Adam Smith (D) Alfred Marshal

6."Economics is the study of scarce resources and unlimited wants". Who said this? []
(A) Paul A Samuelson (B) Prof.Lionel Robbins
(C) Adam Smith (D) Alfred Marshal

7. Which of the following cannot be verified by looking at the facts? []
(A) Positive statement (B) Prescriptive actions
(C) Normative statement (D) Welfare statement

8. Which of the following is not covered by Managerial Economics? []
(A) Price-output decision (B) Profit related decision
(C) Investment decision (D) Foreign direct investment decision

9. Which one of these is not a recent government measure to strengthen the economy? []
(A)Globalization (B) Encouraging mergers & acquisitions
(C) Strengthening MRTP Act (D) Restrictive trade practices

10. What is the position of budget line with respect to indifference curve? []
(A) Below (B) Above
(C) Tangential (D) Intersecting

11. In case of Giffen's goods, the demand curve []
 (A) Slopes downwards (B) Slopes upwards
 (C) Intersects supply (D) Meets cost curve
12. The demand is said to be relatively inelastic when the change in demand is what change in the price. []
 (A) More than (B) Less than
 (C) Equal to (D) Not related to
13. If the income elasticity is positive and greater than one, it is a []
 (A) Necessity (B) Inferior good
 (C) Normal good (D) Superior good
14. When a significant degree of change in price leads to little change in the quality demanded then the demand is said to be []
 (A) Perfectly elastic (B) Perfectly inelastic
 (C) Relatively elastic (D) Relatively inelastic
15. If the price rises, the demand []
 (A) Rises (B) Falls
 (C) First falls and then rises (D) First rises and then falls
16. Which of the following refers to quantity demanded in response to a given change in price? []
 (A) Price elasticity (B) Cross elasticity
 (C) Income elasticity (D) Advertising elasticity
17. Price elasticity is always []
 (A) Positive (B) Negative
 (C) Consistent (D) Declining
18. Which of the following does not hold good in case of indifference curve? []
 (A) Sloping downwards (B) Sloping upwards
 (C) Convex to the origin (D) Constant slope
19. Elasticity computed at a given point on the demand curve for an infinitesimal change in price is called []
 (A) Unit elasticity (B) Arc elasticity
 (C) Point elasticity (D) Arc point elasticity

20. If the price is said to be inelastic, then it means that the proportionate change in the quality Demanded is what proportionate change in the price []
 (A) Equal (B) More
 (C) Less (D) Double
21. In short run, firms can adjust their production by changing their []
 (A) Fixed factors (B) Variable factors
 (C) Semi-fixed (D) All
22. Which of the following pairs of goods is an example of substitutes? []
 (A) Tea and Sugar (B) Tea and Coffee
 (C) Car and Petrol (D) None
23. Which of the following is also called the long term trend? []
 (A) Cycle Trend (B) Seasonal Trend
 (C) Trend (D) All
24. Which of the following describes the degree of association between two variables []
 (A) Regression (B) Relation
 (C) Correlation (D) Mean
25. Market demand is not affected by []
 (A) Demography (B) Economic
 (C) Political (D) Social
26. The features of a good forecasting method is []
 (A) Demography (B) Social
 (C) Economic (D) Demand
27. Demand forecasting is not governed by []
 (A) Forecasting level (B) Market support
 (C) Firm level (D) Degree of Orientation
28. Survey method is disadvantage because []
 (A) Surveys are cheap (B) There exist inconsistent buying behavior
 (C) Sample size is a small (D) Consistent buying behavior
29. The market demand for a given marketing effort is called []
 (A) Estimated demand (B) Market potential
 (C) Market structure (D) Law of Demand

30. Which of the following is not a part of Trend Projection Method []
 (A) Least Square Method (B) Moving average method
 (C) Test Marketing (D) Exponential smoothing
31. The demand curve slopes []
 (A) Upwards (B) Downwards
 (C) Linear (D) None of the above
32. A small change in price may lead to a great change in quantity demand. In this case, demand is []
 (A) Elastic (B) Inelastic
 (C) Cross elastic (D) Price elastic
33. Demand changes more than proportionately to a change in price, in this case demand is []
 (A) $E < 1$ (B) $E > 1$
 (C) $E = 0$ (D) $E > 1 < 1$
34. The consumers are contacted personally to know about their plans and preferences regarding the consumption of the product is []
 (A) Test marketing (B) Consumer survey method
 (C) Regression (D) Opinion method
35. If a big change in price is followed by a small change in demanded then the demand is []
 (A) Elastic (B) Inelastic
 (C) Price elastic (D) Cross elastic
36. The subject of economics is: []
 (A) A physical science (B) A natural Science
 (C) An exact science (D) A social science
37. Cross elasticity between car and tea would be: []
 (A) Positive (B) Negative
 (C) Unitary (D) Zero
38. Income elasticity of demand is ‘Negative’ in case of []
 (A) Superior goods (B) Giffen goods
 (C) Normal goods (D) Inferior goods
39. Income elasticity of demand for diamonds would be: []
 (A) $= 1$ (B) $= 0$
 (C) > 1 (D) < 1

40. Elasticity of demand is determined by all the following factors except: []

- (A) Nature of commodity
- (B) Proximity of substitutes
- (C) Time
- (D) Government policies

UNIT II

1. Explain the law of variable proportions with its various stages. What are the basic assumptions behind this law? 10 M

2. Explain Iso-quant and Iso-cost curves and state characteristics. 10 M

3. Explain 'Law of returns to scale'. 10 M

4. State the different cost concepts. 10 M

5. Define Break-even point and state the assumptions. 10 M

6. A firm has declared the following details about its sales: 10 M

	Year 1	Year 2
Sales (Rs.)	1,50,000	1,50,000
Profit (Rs.)	15,000	25,000

(i) Calculate PV Ratio. (ii) Find out the firm's BEP (iii) How much should the company produce and sell to earn profit of Rs.50,000?

7. From the following information relating to Hi-Tech publishers you are required to find out (A) Break-even point in units (B) Margin of Safety (C) Profit. Also calculate the volume of sales to earn a profit of Rs.6,000. 10 M

Total fixed costs – Rs.4,500, Total Variable costs – Rs.7,500

Total sales - Rs.25,000, Units Sold - 5000 units

8. What are the limitations and uses of Break-even analysis. 10 M

9. Explain Long run production function. 10 M

10. Short answer questions:

a) Cobb-Douglas Production Function. 2 M

b) MRTS 2 M

c) Economies of Scale 2 M

d) Opportunity cost 2 M

e) Short run production function 2 M

UNIT-II

1. Which of the following is the technical relationship that reveals the maximum amount of output capable of being produced by each and every set of inputs? []

(A) Cobb-Douglas production function
(C) Theory of production

(B) Production function
(D) Economics of scale

2. The Production Function is also known as []

(A) Output-costs relationship
(C) Input-Output relationship

(B) Input-costs relationship
(D) Output-Input relationship

3. Production function is not a factor of []

(A) Land
(C) Cost of capital

(B) Labour
(D) Organization

4. The law of returns is also called []

(A) Law of Fixed Proportions
(C) Law of constant Returns

(B) Law of Variable Proportions
(D) Law of Increasing Returns

5. Isoquants are also called []

(A) Isoproduct curves
(C) Price indifference curve

(B) Isocost curves
(D) Indifference curve

6. Which of the following is not a feature of an isoquant? []

(A) Downward sloping
(C) One intersecting the other isoquant

(B) Convex to origin
(D) Do not touch axes

7. If the level of production changes, the total cost changes and thus the isocost curve []

(A) Moves downwards
(C) Moves in a linear fashion

(B) Moves upwards
(D) Moves in a haphazard manner

8. Where the slopes of isoquant is equal to that of isocost, there lies the []

(A) Fixed cost of production
(C) Lowest point of cost of production

(B) highest point of cost of production
(D) decline point of cost of production

9. In Cobb-Douglas production function "K" refers to []

(A) Land
(C) Capital

(B) Labour
(D) Organisation

10. The locus of different combinations of inputs, which yield same output is []

(A) Demand
(C) Isoquant

(B) Isocurve
(D) Isocost

11. Identify the law which states the volume of output that keeps on increasing with every increase in the inputs. []
- (A) Law of Decreasing Returns to Scale (B) Law of Increasing Returns to Scale
 (C) Law of Constant Returns to Scale (D) Law of Marginal Returns to Scale
12. The economies in production costs which occur to the firm alone when it expands its output is called []
- (A) External economies (B) internal economies
 (C) Diseconomies (D) marginal economies
13. Which of the following is not a type of internal economies? []
- (A) Managerial economies (B) financial economies
 (C) Technical economies (D) marginal economies
14. External economies can't be of this type: []
- (A) Economies of concentration (B) Economies of R&D
 (C) Economies of welfare (D) Economies of health
15. In an isoproduct curve, at any given point, the output of given inputs is: []
- (A) Internal economies (B) Returns to scale
 (C) External economies (D) Marginal economies
16. Which of the following refers to the expenditure incurred to produce a particular product or service? []
- (A) Profit (B) Price
 (C) Capital (D) Cost
17. Which of the following normally includes the cost of raw materials, labour and other expenses? []
- (A) Demand (B) Total revenue
 (C) Total cost (D) Capital
18. Long run cost curves are called []
- (A) Operating curves (B) fixed curves
 (C) Variable curves (D) planning curves
19. Short run cost curves are called []
- (A) Operating curves (B) Fixed curves
 (C) Variable curves (D) Planning curves
20. Which of the following are fixed in the short run? []
- (A) Variable costs (B) Semi variable costs
 (C) Fixed costs (D) Semi fixed costs

21. Which of the following is NOT a long run concept? []
 (A) Expansion path (B) Isoquant
 (C) Returns to scale (D) Law of variable proportions
22. An isoquant curve is also known as []
 (A) Equal product curve (B) Iso Product
 (C) Product indifference (D) All the above
23. Which of the following is not a feature of an isoquant? []
 (A) Downward slopping (B) Convex to Origin
 (C) Do not touch axes (D) Upward
24. Who invented by production function of linear homogenous products []
 (A) Junt Wicksell (B) (C)W. Cobb
 (C) P.H. Dougles (D) All the above
25. Break-even chart presents []
 (A) Cost Volume Analysis (B) BEP
 (C) Margin of safety (D) Fixed cost
26. The cost of best alternative forgone is []
 (A) Opportunity cost (B) Outlay cost
 (C) Future cost (D) Post cost
27. Which cost will be entered in the books of accounting []
 (A) Fixed (B) Explicit
 (C) Imputed (D) Post
28. What is the equation of contribution []
 (A) Sales-variable cost (B) Sales+Fixed cost
 (C) Fixed/P/V ratio (D) Loss+Fixed
29. There is no profit or no loss is known as []
 (A) BEA (B) Margin of Safety
 (C) BEP (D) Cost-Volume-Profit
30. The point where the total revenue line crosses the total cost line is called: []
 (A) Point of inflection (B) Breakeven point
 (C) Equilibrium point (D) Split off point
31. AVC may be expressed as the ratio of : []
 (A) TVC and L (B) TVC and AVP
 (B) W and AFC (D) W and AVP

UNIT III

- | | |
|--|------|
| 1. Explain how price is determined under perfect competition. | 10 M |
| 2. What are the different market structures? | 10 M |
| 3. Distinguish between monopoly and perfect competition. | 10 M |
| 4. Define Oligopoly and state the features. | 10 M |
| 5. What are different methods of pricing followed by companies? | 10 M |
| 6. Explain the pricing strategies for a new product. | 10 M |
| 7. What are the different types of Business organizations? | 10 M |
| 8. What are the salient features Partnership firms? Explain different kinds of partners. | 10 M |
| 9. What do you understand by Joint Stock Company? | 10 M |
| 10. Short answer questions: | |
| a) Monopolistic competition | 2 M |
| b) Differential pricing method | 2 M |
| c) Sole proprietorship | 2 M |
| d) Characteristics of Monopoly. | 2 M |
| e) Differentiate between Public company vs Private company | 2 M |

UNIT - III

1. Organisation, Management and control are closely held by []
(A) Sole Trader (B) Departmental undertaking
(C) Partnership (D) Joint stock company

2. The closure of partnership is called []
(A) Resolution (B) Revolution
(C) Solution (D) Dissolution

3. The written agreement among partners is []
(A) Trading deed (B) Demand Draft
(C) Partnership Deed (D) Bill of Exchange

4. The Kinds of Partners include the following except []
(A) Normal Partner (B) Sleeping Partner
(C) Partner by Estoppel (D) Partner by holding out

5. The India Partnership Act was enacted in []
(A) 1932 (B) 1942
(C) 1952 (D) 1962

6. The minimum number of persons in public company []
(A) 10 (B) 7
(C) 2 (D) Unlimited

7. Which of the following is not a public enterprise? []
(A) Govt. company (B) Public corporation
(C) Departmental undertaking (D) Public limited company

8. The advantage of departmental undertaking is []
(A) Delayed decision (B) Incidence of more taxes
(C) Effective control (D) No incentive to maximize earnings

9. The disadvantage in a government company is []
(A) easy formation (B) ability to compete
(C) quick decisions (D) flexibility only on paper

10. Indian companies act was enacted in []
(A) 1956 (B) 1936
(C) 1947 (D) 1950

11. Decision making is faster in []
 A) Joint stock company (B) Departmental undertaking
 (C) Partnership (D) Sole-trader
12. The maximum number of partners in banking business []
 (A) 10 (B) 20
 (C) 50 (D) Unlimited
13. Active partner also called []
 A) Normal Partner (B) Working Partner
 (C) Partner by Estoppel (D) Any of the above
14. A company is one that is registered under Indian companies Act,1956. []
 A) Chartered Company (B) Statutory company
 (C) Registered company (D) None
15. Which company is created by the Royal charter of the state? []
 A) Chartered company (B) Statutory company
 (C) Registered company (D) None
16. In a public company, the minimum and maximum number of members respectively []
 A) 12,30 (B) 7,77
 (C) 7, Unlimited (D) 7,27
18. Responsibility to pay to outsider as and when an amount is due is called as []
 (A) active (B) profit
 (C) liability (D) loss
19. In a partnership firm, the partners liability is []
 (A) Limited (B) unlimited
 (C) medium (D) large
20. The charter of the company is called []
 A) Prospectus (B) Memorandum of association
 (C) Articles of association (D) All of the above
21. The period in which the supply is more or less fixed the price determined in this period is known as []
 A) Market price (B) Secular price
 (C) Short period (D) Long
22. In monopoly, mono and poly refers to []
 A) Seller & Large (B) Single & Selling
 (C) Two & Buying (D) None

23. In a market one person purchased a product and finally used that product is known as
(A) Customer (B) Producer
(C) Consumer (D) Manufacturer []

24. Which of the following is not a feature of Monopoly
(A) Price maker (B) Close substitutes
(C) Large no. of Sellers & buyers (D) All []

25. Where the buyer and seller meet & exchange goods and services are offered is known as
(A) Market (B) Share Market
(C) Fish Market (D) Manufacture []

26. Perfect competition is based on
(A) Few sellers & buyers (B) One seller & large no. of buyers
(C) Two sellers & few buyers (D) None of the above []

27. Penetration price is deals with
(A) Low to high (B) High to Low
(C) Constant (D) Limited []

28. Secular price also known as
(A) Market price (B) Short run
(C) Long run (D) Very long run []

29. Imperfect knowledge about the product leads to
(A) Monopoly (B) Oligopoly
(C) Monopolistic competition (D) Duopoly []

30. Under perfect competition, the price is equal to
(A) AR=MR (B) AR>MR
(C) MR>AR (D) MR not equal to AR []

31. Price discrimination is also called as
(A) Standard pricing (B) Preferential pricing
(C) Differential pricing (D) None []

32. The nature of demand curve in monopoly is
(A) Perfect elastic (B) unit elasticity
(C) Inelastic (D) None []

33. Price in the long run is called
(A) Standard price (B) Retail price
(C) Market price (D) Normal price []

34. A monopolist can either control the price or []
(A) Cost (B) Input
(C) Output (D) Profit
35. The written agreement among partners is []
(A) Trading deed (B) Demand draft
(C) Partnership deed (D) Bill of exchange
36. The kinds of partner include the following []
(A) Normal partner (B) Sleeping partner
(C) Partner by estoppel (D) Partner by holding out
37. The minimum paid up capital in a public company is []
(A) RS.2 lakhs and higher (B) RS.10 lakhs and higher
(C) RS.24 lakhs and higher (D) RS.5 lakhs and higher
38. Which of the following integrates economy of a country with the world economy? []
(A) Privatization (B) Liberalization
(C) Globalization (D) Stabilization
39. Liberalization measures can be grouped under []
(A) Tax reforms (B) Company reforms
(C) Private enterprise reform (D) Financial sector reform
40. The minimum number of persons required to form a partnership firm is []
(A) Three (B) Four
(C) Two (D) One

UNIT- IV

1. What is meant by Ratio analysis? Explain briefly about various types of ratios. 10 M

2. The particulars of incomes and expenses of a company are given hereunder, for the year ended 31st March, 2011. 10 M

Particulars	Rs.	Particulars	Rs.
Opening Stock	76,250	Sales	5,00,000
Purchases	3,15,000	Closing Stock	98,500
Manufacturing Exp.	7,000	Income from Investments	6000
Admin Exp.	1,00,000		
Selling and Distribution Exp.	12,000		
Loss by Fire	13,000		

From the above information you are required to calculate :

- a) Gross profit ratio and Net profit ratio b) Operating ratio c) Stock turnover ratio.

3. Write a short note on : 10 M

4. Briefly explain the various accounting concepts. 10 M

5. Alpha Manufacturing Co. has drawn up the following Profit and Loss Account for the year ended 31st March, 2012. 10 M

Particulars	Rs.	Particulars	Rs
To Opening Stock	26,000	By Sales	1,60,000
To Purchases	80,000	By Closing Stock	38,000
To Wages	24,000		
To Manufacturing Expenses	16,000		
To Gross Profit c/d	52,000		

	198000		1,98,000
To Selling and Distribution Exp.	4,000	By Gross Profit	52,000
To Administrative Exp.	22,800	Commission Received	4,800
To General Exp.	1,200		
To Value of furniture lost by Fire	800		
To Net Profit	28,000		
	56,800		56,800

You are required to find out :

- A) Gross Profit Ratio B) Net Profit Ratio C) Operating Ratio

6. Journalise the following transactions of Mr.Ravi and post them in the ledger and balance the same.

10 M

2010, June 1 Ravi invested Rs.5,00,000 cash in the business

- 3 Paid into bank Rs.80,000
 - 5 Purchased building for Rs.3,00,000
 - 7 Purchase goods for Rs.70,000
 - 10 Sold goods for Rs.80,000
 - 15 Withdrew cash from bank Rs.10,000
 - 25 Paid electric charges Rs.3,000
 - 30 Paid salary Rs.15,000

7. A) Calculate debtors turnover ratio and debtors collection period, if credit sales for the year Rs.9,00,000, debtors Rs.90,000 and bills payable Rs.60,000. 5 M
B) Calculate the acid test ratio , if current assets Rs.8,00,000; Current liabilities Rs.4,00,000; and Stock Rs. 2,20,000. 5 M

8. A) Write about various types of accounts and their rules governing each account. 5 M
B) Advantages of double-entry book-keeping. 5 M

9. Journalise the following transactions in the books of Amrutha. 10 M

2012, Jan 1 Amrutha commenced business with cash Rs.50,000

- 2 Purchased goods for cash Rs.10,000

- 3 Purchased goods from Mohan Rs.6,000
7 Paid into bank Rs.5,000
10 Purchased furniture Rs.2000
20 Sold goods to Suresh on credit Rs.5,000
25 Cash sales Rs. 3,500
26 Paid to Mohan on account Rs.3,000
31 Paid salaries Rs.2,800

10. Short answer questions:

- | | |
|------------------------|-----|
| a. Journal | 2 M |
| b. Trial balance | 2 M |
| c. Balance sheet | 2 M |
| d. Types of accounts | 2 M |
| e. Double entry system | 2 M |

UNIT - IV

1. Managers use the accounting information to report to []
A) Company employees B) Chief Financial Officer
C) Chief Executive Officer D) Owners

2. The financial statement comprises []
A) Trading account, Balance sheet B) Balance sheet, Ledger
C) Journal, Ledger D) Trading, Profit & Loss account, Balance sheet

3. Accounting cycle is the process of _____ stages respectively. []
A) Journal, Ledger, Final Accounts B) Journal, Final Accounts, Ledger
C) Ledger, Final accounts, Journal D) None of these

4. Provision for taxes is a []
A) Current asset B) Current Liability
C) Tangible asset D) None

5. Which one of the following accounting equations is correct? []
A) Asset=Owner's equity B) Assets=Liabilities+Owner's equity
C) Assets=Liablities-Owner's capital D) Assets +Liabilities = Owner's equity

6. Debt-Equity ratio equals to []
A) Debt/Equity B) Equity/Debt
C) Shareholders funds/Equity D) None

7. Find out the current asset []
A) Land & Building B) Dividend
C) Marketable securities D) Bills payable

8. Tthe most suitable form of business organization for the people of weaker section is []
A) Partnership form B) Co-operative society
C) Sole-trading business D) Joint-stock company

9. What is the Desirable current Ratio []
(A) 1:2 (B) 3:2
(C) 2:1 (D) 1:1

10. Long-term stability of an enterprise indicates by which ratios. []
(A)Liquidity (B) Profitability
(C) Solvency (D) Turnover

11. Management accounting starts where it ends. []
A) Cost accounting B) Standard accounting
C) Financial accounting D) None of the above

12. Which of the following involves for every debit there is a corresponding credit? []
A) Single entry B) Ledger entry
C) Journal entry D) Double entry

13. Which of the following assumes that every business firm continues forever and it has a perpetual life? []
A) Business entity concept B) Cost concept
C) Money measurement concept D) Going concern concept.

14. Which of the following aims at ascertaining and controlling the costs of a product, service or a department []
A) Management accounting B) Cost accounting
C) Financial accounting D) Accounting cycle

15. Salary account is []
A) Personal account B) Real account
C) Nominal account D) None

16. Acid test ratio also known as []
A) Current ratio B) Debt ratio
C) Quick ratio D) Operation ratio

17. Find out the standard ratio of liquidity ratio []
A) 2:1 B) 1:1
C) 1:2 D) None

18. Expand EPS []
A) Equity per share B) Earnings per share
C) Efficient per share D) Equity preference share

19. Operating expenses = []
A) Cost of goods sold+Admn Exp.+S&D exp B) Gross profit – Sale
C) Cost of goods sold+Indirect expenses D) All of the above

20. To test the liquidity of a concern/firm, which of the following ratios are useful []
A) Acid test ratio B) Capital turnover ratio
C) Bad debt ratio D) Inventory turnover ratio

21. On the basis of balances shown by ledger accounts, which of the following is prepared? []

 - A) Balance sheet
 - B) Trial Balance
 - C) Journal
 - D) Final accounts

22. The difference between assets and liabilities called []

 - A) Over draft
 - B) Capital
 - C) Sales
 - D) Net Purchases

23. Patent account is []

 - A) Real account
 - B) Personal account
 - C) Nominal account
 - D) None of the above

24. Building is an example for []

 - A) Revenue account
 - B) Expense account
 - C) Capital expenditure
 - D) Liability account

25. The trading and profit and loss account is also called as []

 - A) Account statement
 - B) Income statement
 - C) Balance statement
 - D) Cost statement

26. It refers to the firm's position to meet its long-term commitments such as repayment of long- term loans and so on. []

 - A) Profitability
 - B) Liquidity
 - C) Solvency
 - D) None

27. The current ratio is also called as []

 - A) Acid test ratio
 - B) Working capital ratio
 - C) Gross profit ratio
 - D) Quick ratio

28. Quick assets = []

 - A) Current assets – (Stock + Prepaid expenses)
 - B) Current assets- (Stock-Prepaid expenses)
 - C) Current assets – Current liabilities
 - D) Current assets / Current liabilities

29. It is the ration between gross profit to sales []

 - A) Gross profit ratio
 - B) Cost of goods sold
 - C) Net profit ration
 - D) Operating ratio

30. Higher asset turnover ratio explains []

 - A) More profitability
 - B) Better Utilisation of assets
 - C) Higher sales turnover
 - D) Large asset base

31. Journal is also called a []

 - A) Account book
 - B) A day book
 - C) Year book
 - D) None

UNIT – V

1. Explain the types of Capital Budgeting methods. 10 M
2. Explain the major sources of Capital. 10 M
3. The cost of a project is Rs.50,000 which has an expected life of 5 years. The cash inflows for next 5 years are Rs.24,000; Rs.26,000; Rs.20,000; Rs.17000 and Rs.16,000 respectively. Determine the Payback period. 10 M
4. A business needs a new machine and has to make the choice between machine Y and Machine Z. The initial cost and net cash flow over five years to the business have been calculated for each machine as follows: 10 M

	Machine Y	Machine Z
Initial cost		
Net cash flow	20,000	28,000
1	8,000	10,000
2	12,000	12,000
3	9,000	12,000
4	7,000	9,000
5	6,000	9,000

Only one machine is needed, calculate : i) Pay Back Period
ii) Accounting rate of Return

5. A project involves initial outlay of Rs. 1,29,000. Its working life is expected to be 3 years. The cash inflows are likely to be as follows: 10 M

Year	Inflows
1	164000
2	256000
3	324000

Compute the IRR.

6. Consider the case of the company with the following two investment alternatives each costing Rs.9 lakhs. The details of cash inflows are as follows:

10 M

Year	Project 1	Project 2
1	3,00,000	6,00,000
2	5,00,000	4,00,000
3	6,00,000	3,00,000

The cost of capital is 10% per year. Which are will you choose (A) NPV method.

(B) Under IRR method

7. What is the importance of Capital budgeting and its limitations? 10 M
8. How do the discounting models differ from non- discounting models? 10 M
9. What do you understand by time value of money? How is it helpful in Capital Budgeting? 10 M
10. Write a short notes on
- a. Payback period 2 M
 - b. Net present Value method 2 M
 - c. Fixed capital 2 M
 - d. Internal Rate of Return 2 M
 - e. Working capital 2 M

UNIT - V

1. Internal Rate of Return (IRR) is the rate at which the difference between the present value of cash inflows and the original cost is []
 (A) greater than one (B) less than one
 (C) equal to one (D) equal to zero.
2. If the----- is more than the cost of capital, the project is profitable []
 (A) ARR (B) payback period
 (C) IRR (D) working capital.
3. Where there are two projects with different IRRs, the project with----- IRR is selected []
 (A) lower (B) higher
 (C) zero (D) negative.
4. The flow of money in the business is called? []
 (A) Capital formation (B) Cost cycle
 (C) Working capital cycle (D) Capital cycle.
5. Which of the following are expected to be realized in cash or consumed during business operations? []
 (A) tangible fixed assets (B) intangible fixed assets
 (C) fixed assets (D) current assets.
6. The difference between assets and liabilities is called []
 (A) overdraft (B) capital
 (C) net purchases (D) sales.
7. Which of the following shows the firms planned operations or resource allocation for a given period in future []
 (A) Operating budgets (B) Capital budgets
 (C) Accounting rate of return (D) Internal rate of return.
8. Where cash flows are----- computation of IRR is more by trial and error with respect to the discount factor []
 (A) even (B) uneven
 (C) zero (D) negative

9. Net present value refers to the----- of present value of future cash inflows over and above the cost of original investment []
 (A) less (B) excess
 (C) minimum value (D) maximum value.
10. Select always projects with []
 (A) lower NPV (B) negative NPV
 (C) zero NPV (D) higher NPV.
11. NPV formula []
 (A) cash inflow –cash outflow (B) cash flow
 (C) cash inflow (D) none
12. Profitability index 1= []
 (A) break even (B) profit
 (C) loss (D) none
13. Average investment formula []
 (A) investment /2 (B) investment *2
 (C) cash/2 (D) none
14. For the profitable projects, the profitability index is []
 (A) less than 1 (B) Greater than 1
 (C) equals to 0 (D) none of the above
15. The main idea of providing is to raise enough funds for replacement when the asset is exhausted []
 (A) Dividend (B) depreciation
 (C) reserves (D) pricing.
16. The letter issued by the company under its common seal acknowledging the receipt of loan is called []
 (A) Loan document (B) Debenture
 (C) Secured debentures (D) Redeemable debentures.
17. Which of the following includes offering the shareholding in public institutions to employees and general public? []
 (A) Investment (B) Divestment
 (C) Mutual funds (D) Policy
18. The circulating capital is also called []
 (A) Fixed capital (B) Working capital
 (C) Tangible fixed capital (D) None of the above.

19. Which of the following is not a current asset? []
 (A) Cash (B) Creditors
 (C) Prepaid expenses (D) Stock of raw materials
20. Which one of the following is not a form of long-term finance? []
 (A) Own capital (B) Share capital
 (C) Hand loans (D) Debentures.
21. Which concept is used to compare cash inflows occurring at different points time with the corresponding cash flows []
 (A) IRR (B) Accounting Rate of Return
 (C) Time value of money (D) Net Present Value
22. If the rate of return is more than the cost of capital, then the project is []
 (A) Accept (B) Reject
 (C) Denied (D) Postponed
23. Cash inflows refer to []
 (A) Cash incomes (B) Future incomes
 (C) Past incomes (D) Cash receipts
24. The diminution or reduction in the values of asset due to wear and tear is called []
 (A) Appreciation (B) Paid up capital
 (C) Depreciation (D) Capital budgeting
25. The difference between the present value future cash inflows and the original investment is called []
 (A) NPV (B) IRR
 (C) ARR (D) PI
26. A unit of capital is called as []
 (A) Profit (B) Share
 (C) Dividend (D) All of the above
27. The circulating capital is also called []
 (A) Fixed capital (B) Working capital
 (C) Tangible fixed capital (D) None
28. The excess of current assets over current liabilities are called []
 (A) Fixed capital (B) Working capital
 (C) Long-term capital (D) All of the above

29. Hire purchase is the _____ source of finance []
 (A) Long-term (B) Short-term
 (C) Medium term (D) Very short term
30. In leasing, the company, who owns asset is called []
 (A) Lessee (B) Lesser
 (C) Banker (D) Owner
31. Present value factor is also called []
 (A) Time value of money (B) Discount factor
 (C) Liquidity factor (D) None of these
32. It is good to select always the projects with []
 (A) Lower NPV (B) Negative NPV
 (C) Zero NPV (D) Higher NPV
33. Which one of the following should not be more than the rate of return? []
 (A) accounting period (B) cost of capital
 (C) paid-up capital (D) reserves
34. If NPV ____ then the project earns less than the discount rate []
 (A) > 1 (B) $= 1$
 (C) < 1 (D) $= 0$
35. For the profitable projects, the profitability index is []
 (A) Less than one (B) Greater than one
 (C) Equals to 0 (D) None
36. The Working capital is also called []
 (A) Fixed capital (B) circulating capital
 (C) Tangible fixed capital (D) None
37. Leasing is the _____ source of finance []
 (A) Long-term (B) Short-term
 (C) Medium term (D) Very short term
38. Cash outflows refer to []
 (A) Cash incomes (B) Future incomes
 (C) Past incomes (D) Cash receipts
39. Which one of the following is not a form of short-term finance? []
 (A) Own capital (B) Cash credit
 (C) Hand loans (D) Banks

40. From the following methods, which are traditional methods? []

- | | |
|---------|---------|
| (A) NPV | (B) P.I |
| (C) ARR | (D) IRR |

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