

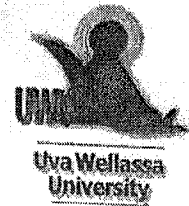
**Uva Wellassa University**

Faculty of Management

**YEAR II SEMESTER I EXAMINATION – FEBRUARY/MARCH 2011**

EMG 102-3 Economics and Project Management

Section I – Economics



**Instructions**

- No. of pages : Four (02)  
No. of questions : Three (03) in Part B and Three (03) in Part C  
Time : One (01) hour and fifteen (15) minutes  
Total marks allocated : Fifty (40)

Index No:

**PART – C**  
**Essay Questions**

Answer only two (02) questions  
Total marks for Part C is 25

01. Demand and Cost information of a monopoly firm is given as follows (10 marks)

Demand Function  $P = 2400 - 5Q$

Total Cost Function  $TC = 2Q^3 - 15Q^2 + 400Q - 8000$

- I. Find the profit maximizing output and price of this firm
- II. Calculate maximum profit of this firm
- III. Show the firm's equilibrium and profit by using a graph



### Part C- Essay Questions

#### Instructions

Answer only two (2) questions including question number 01.

Total marks for part C- 50

Show all the workings

01)

- i. State when do a partnership need to revalue there assets and liabilities?  
(2 marks)
- ii. Briefly describe the reasons for such revaluation?  
(2 marks)
- iii. Briefly describe the meaning of dissolution of a partnership business?  
(3 marks)
- iv. Briefly describe the “en block sale” and “piecemeal” dissolution?  
(4 marks)
- v. State the objective of preparing a partnership realization account?  
(3 marks)
- vi. “A”, “B” and “C” are partners in a partnership business. They decided to wind-up their business on 31<sup>st</sup> march 2009. The balance sheet as at that date was as follows:

Capital Account	A	300,000	Land and Building	150,000
	B	200,000	Motor vehicle	200,000
	C	100,000	Furniture and Fittings	250,000
			Investments	50,000
Current Account	A	40,000	Stock	40,000
	B	30,000	Debtors	25,000
	C	(15,000)	Cash	15,000
Creditors		75,000		
		<u>730,000</u>		<u>730,000</u>

Additional information

- a. "A" take one of the motor vehicle of Rs.50,000 after valuing for Rs.75,000. Other motor vehicle sold for Rs.210,000.
- b. Land and buildings, furniture and fittings were realized for Rs.200,000 and Rs.175,000 respectively.
- c. Creditors were settled for Rs.70,000
- d. Only Rs.24,000 could be collected from debtors and balance cannot be collected.
- e. Stock donated by "B" to "A"
- f. Investment realized for Rs.60,000.
- g. Paid realization expenses Rs.12,000 and finished the realization activity on the same day realization was started.

Using above information you are required to prepare;

Vi - I The realization account

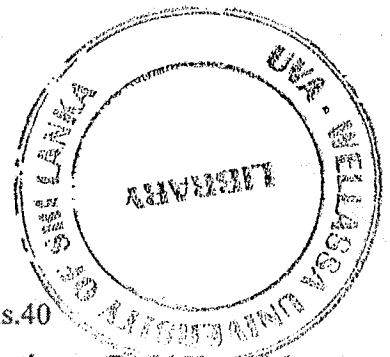
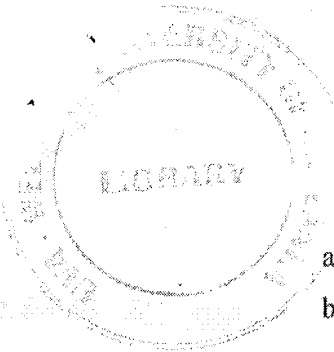
Vi - II Partners' Capital accounts

Vi - III The Cash book

(16 marks)

02)

- i. What is the objective of preparing a Bank Reconciliation Statement?  
(2 marks)
- ii. State three reasons for difference between bank statement balance and adjusted cash book balance?  
(3 marks)
- iii. Describe in brief the significance of preparing a bank reconciliation statement  
(4 marks)
- iv. "Every reason for difference between cash book balance and bank statement balance need an adjusting or correcting entry".  
Giving examples discuss the above statement. (5 marks)
- v. Amal close his books on 31<sup>st</sup> march each year. When he received the bank statement for 31 march 2010 he found that there was Rs.45,600 overdraft in his current account. On comparison with cash book it was found that ;



- a. The bank has charged interest Rs.810 and bank charges Rs.40
- b. A cheque received from a customer on 28<sup>th</sup> march amounting to Rs.1150, which was banked on next day and returned dishonored, bank charging Rs.5.
- c. Cheques issued in the last week of March amounting to Rs.3570 were not yet presented for payment.
- d. Cheques deposited on 29<sup>th</sup> and 30<sup>th</sup> march amounting to Rs.4120 had not yet been cleared.
- e. The total of one page in cash book (debit side) Rs.15,690 was carried forward as Rs.16, 950 to the next page

You are required to prepare the bank reconciliation statement.

(6 marks)

03)

- i. SLAS 9 Cash flow statement required to classify the cash flows into three different activities. Briefly describe these three different activities giving at least one example for each activity.

(6 marks)

- ii. The summarized Income Statement for the year ended 31.03.2010 and working capital balances as at that date with comparative figures of Standard Products Ltd, are given below.

	<u>In Rs.000'</u>
Sales	19,300
Less: Cost of Sales	(11,700)
Gross Profit	7,600
Less: Other expenses (other than Financial)	(4,900)
Net Profit before Taxation	2,700
Taxation	(1,420)
Net Profit after Taxation	1,280
Less: Dividends	(500)
Retained profit for the year	<u>780</u>

Working Capital as at	<u>31.3.2010</u>	<u>31.3.2009</u>
	Rs. 000'	Rs. 000'
Stocks	850	1020
Trade Receivables	1080	1730
Pre – paid expenses	172	
Cash and Bank balances	845	427
Trade payables	(498)	(542)
Accrued expenses	(215)	(287)
Tax payables	(208)	(174)
Dividend payable	(500)	
	<u>1,526</u>	<u>2,174</u>

You are required to prepare the cash flow from operating activities using the direct method.

(14 marks)