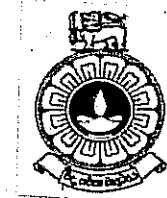


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THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF ENGINEERING TECHNOLOGY
BACHELOR OF INDUSTRIAL STUDIES
FINAL EXAMINATION-2010

MEM 5251- INDUSTRIAL ECONOMICS, ACCOUNTING AND MARKETING

DURATION: THREE (03) HOURS

DATE: 06-03-2010

TIME: 9.30 am to 12.30 pm

INSTRUCTIONS

Answer five questions; two from Part A, two from Part B and one from Part C.
Use of non-programmable calculator is allowed.
All questions carry equal marks.

Part A-Industrial Economics

Q1) Discuss the factors that determine the demand for goods and services in a free market economy. (20 Marks)

Q2) Define the term "Price Elasticity of Demand" and explain as to how knowledge of price elasticity will be useful to business managers. (20 Marks)

Q3) Write short notes to the following

- Scarcity of resource and choice
- Opportunity cost
- Price elasticity of supply
- Market Equilibrium

(4X 5 Marks= 20 marks)

Part B- Accounting

Q4) The following trail balance was prepared in the Amal Traders for the year ending 31st December 2009

Balances	Dr (Rs)	Cr (RS)
Cash & Bank		
Insurance	41,000	
Electricity	18,000	
Bank charges	21,000	
Land & Building/ Accumulated Deprecation as at 1.1.2009	4,000	
Furniture and Fittings/ Accumulated Deprecation as at 1.1.2009	750,000	250,000
Bad debts	500,000	200,000
Commission Received	4,200	
Sales return		24,000
Purchase Return	9,000	
Debtor		6,800
Stock as at 1.1.2009	52,000	
	31,000	

creditor		43,000
Bank Loan of 12%		250,000
Bank interest paid on Loan	13,000	
Discount paid	4,000	
Discount received		8,000
Salary	31,000	
Advertising	18,000	
Rates	14,000	
Purchases	910,000	
Sales		1,730,000
Drawings by Amal	27,000	
Telephone	15,000	
Packaging	7,000	
Investment of 8%	400,000	
Investment income received		13,000
Carriage inwards	5,600	
Capital made by Amal		350,000
	2,874,800	2,874,800

Consider the following information also.

- Closing stock was valued at Rs.23,000/= as on 31/12/2009.
- Salary paid to the servant boy worked at Mr. Amal house amounting to Rs.3000/= was included in the salary shown in the trial balance.
- Monthly bill payable on electricity charges for the month of December 2009 was received in the month of January 2010.
- In insurance and advertising payments, respectively Rs.2000 and Rs.3000 can be forwarded to next year.
- Buildings were to be depreciated at a rate of 5 % in the straight line method.
- Furniture and fittings were to be depreciated at a rate of 10 % in the reducing balance method.
- Both investments and bank loan shown in the trial balance have been appearing in the company ledgers since the beginning of this year. Interests on bank loan and investment income receivable from the investments were found to be arrears at the end of the year.
- Out of the total debtors appearing in the trial balance, Rs.3000/= was to be written off as bad debts and in the remaining debtors, 5% was to be reserved for provision for doubtful debts.

You are required to prepare,

- Trading, Profit and loss account to Amal Traders for the year ending 31/12/2009
- Balance Sheet as at 31/12/2009 (20 Marks)

Q5)

Cariban Company is producing and selling biscuits to the local market. Following information is given regarding their operations in the year 2009.

Selling price of a packet of biscuit Rs.50/=

Variable cost per packet Rs.20/=

Fixed cost Rs.300,000/=

No of packet sold in 2009; 50,000

Find out the following.

- Contribution to sales ratio (C/S ratio)
- Break Even Point (BEP) in sales amount and in unit sales.
- Margin of Safety in units as well as in sales amount.
- The sales to be made to earn the profit of Rs.600,000/=
- What is the profit if the total amount of sales stands at Rs.720,000/= (20 Marks)

Q6)

The following financial statements were prepared in ABC Company Ltd, for the year ending 31st March 2009

	Rs (000)	Rs (000)
Sales		350,000
Cost of Sales		200,000
Gross Profit		150,000
(Less)		
Administrative Expenses	(22,000)	
Selling expenses	(18,000)	
Interest charges	(10,000)	(50,000)
Profit before tax		100,000
Taxation		(30,000)
Profit after tax		70,000
Dividend		(40,000)
Transfer to reserve		30,000

Balance Sheet as at 31st March 2009 (000)

Fixed Assets		120,000
<u>Current Assets</u>		
Stock	20,000	
Debtors	5,000	
Cash	25,000	50,000
Total Assets		170,000
<u>Current liabilities</u>		
Creditors		(30,000)
Net Assets		140,000
<u>Capital & Liabilities</u>		
Share Capital	70,000	
Profit & Loss a/c	30,000	
		100,000
<u>Long term liabilities</u>		
Debentures		40,000
		140,000

From the information given above, you are required to compute

- Net profit ratio
- Gross profit ratio
- Current Ratio
- Quick Assets Ratio
- Return on capital employed
- Return on equity capital
- Assets Turnover Ratio

(20 Marks)

Part C- Marketing

Q7) Explain as to how marketing mix can be applied to increase the sales of any product or service you are familiar with. (20 Marks)

Q8) Identify and discuss various methods adopted by the Sri Lankan milk product marketers to segment and target their market. (20 Marks)