THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF ENGINEERING TECHNOLOGY
BACHELOR OF INDUSTRIAL STUDIES (MANAGEMENT) – LEVEL 5
FINAL EXAMINATION – 2008/2009
MEM 5251 – INDUSTRIAL ECONOMICS, ACCOUNTING, AND MARKETING
DATE : *14 March 2009*
TIME : *0930 hrs – 1230 hrs*
DURATION: *Three (03) hours*

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Answer five (05) questions selecting two (02) questions from part A, Two (02) questions from Part B and one (01) from Part C. All questions carry equal marks.

PART A - ECONOMICS

01. Discuss the different forms of economic systems and how they differ when making decisions relating to allocation of resources.

(20 marks)

02. Explain the impact of the government intervention in the operation of the price mechanism in the following situations.

a) Fixing of minimum price
b) Fixing of maximum price

State the practical measures that could be adopted to mitigate the adverse impact of each intervention listed above.

(20 marks)

03. Using illustrations, discuss the various factors that determine the demand for a good in an economy.

(20 marks)

PART B - ACCOUNTS

04. A manufacturer has a capacity to produce 50,000 units of product "x" per month. Direct material cost per unit is Rs. 50/=. Direct wages for production of a unit is Rs. 20/= and other variable expenses per unit is Rs. 30/=. Total fixed overhead expenses per month is Rs. 6000, 000/=.

It is proposed to sell the production at Rs. 120/= per unit.

You are required to calculate:-

a) Breakeven volume of production per month (04 marks)
b) Contribution per unit of product x (04 marks)
c) Breakeven sales value per month (03 marks)
d) The volume of product x that needs to be produced to make a profit of Rs. 100,000/= (03 marks)
e) Margin of safety at full capacity utilization (03 marks)
f) Price/Volume (P/V) ratio for the product x (03 marks)

05. The following Trail Balance was extracted from the books of Willi's as on 31st December 2006.

Trial Balance

	Dr. Rs.	Cr. Rs.
Capital		50,000
Machinery	18,000	
Provision for depreciation on Machinery 01.01.2006		3,800
Machinery Repairs	1,600	
Salaries & wages	38,000	
Cash in hand	2,000	
Buildings	74,000	
Provision for depreciation on Buildings 01.01.2006		2,500
Depreciation of buildings	2,500	
Purchases & Sales	126,000	252,600
Bank Overdraft		3,800
Provision for doubtful debts		6,000
Discount received		3,000
Discount Allowed	1,200	
Debtors and creditors		

Opening stock (01.01.2006)	35,000	23,300
Rent	39,500	
Insurance	1,200	
Carriage Inwards	1,800	
Advertising expenses	2,000	
Carriage Outwards	1,500	
Bank Charges	400	
Interest on loan	200	
	100	
	345,000	345,000



Taking into consideration the following additional information, prepare Trading and Profit & Loss Account for year ended 31.12.2006 and the Balance Sheet as at the date.

1. Closing stock Rs. 30,000/=
2. Bad debts are to be written off Rs. 200/=
3. Provision for bad debts should be equal to 10% of the debtors
4. Accrued expenses – Rent Rs. 200/=,
   Prepaid expenses – Insurance Rs.300/=
5. Depreciation of machinery 5% on cost
6. Depreciation of buildings 5% on cost

(20 marks)

06.

	2006	2007
Sales	252,000	280,000
Cost of sales	137,500	160,000
Net profit	71,120	60,000
Current assets	63,620	70,000
Current liabilities	27,300	30,000
Total assets	148,420	170,000
Opening stocks	39,500	30,000
Closing stocks	30,000	42,000
Opening debtors	45,000	31,320
Closing debtors	31,320	35,000

Using the above information, calculate the following ratios for 2006 and 2007.

1) Gross Profit ratio.
2) Net Profit ratio.
3) Quick Asset ratio.
4) Current ratio.
5) Stock Turnover ratio.
6) Asset Turnover ratio.
7) Return on capital employed.
8) Debtors Turnover ratio.

(20 marks)

PART C – MARKETING

07. Discuss the importance of market segmentation and identify one criteria on which markets can be segmented into distinct categories.

(20 marks)

08. What are the different methods used to promote products? Describe basic characteristics of each of these methods.

(20 marks)

END