The Open University of Sri Lanka
Faculty of Engineering Technology

00029

Study Programme	:	POSTGRADUATE DIPLOMA IN TECHNOLOGY IN INDUSTRIAL ENGINEERING
Name of the Examination	:	Final Examination
Course Code and Title	:	**MEM7213 -INDUSTRIAL ECONOMICS & FINANCIAL ACCOUNTING**
Academic Year	:	2012/13
Date	:	04th August 2013
Time	:	0930 hours -1230 hours
Duration	:	3 hours

General instructions

1. Read all instructions carefully before answering the questions.
2. Answer Three (03) questions from **part A** including question 01 and Two (02) questions from **part B**.
3. Answer any 5 questions only.

PART A

Q1. Marginal Limited is a Public Limited Liability Company (Ltd) dealing with pharmaceutical products. Its Stated capital consist of Rs.750, 000 ordinary shares issued at Rs.100/= each and 18% Preference shares issued at Rs 100/= each. The following Trial Balance is extracted on 31.12.2012.

Stated capital		Rs'000
Ordinary shares		50,000
18% Preference shares		10,000
Sales		50,0000
15% debentures of 100/= each		10,000
Free Hold Land	20,000	
Buildings	40,000	
Office Equipment	3,000	
Furniture &Fittings	700	
Motor Vehicle	20,000	
Quoted Investments	12,000	
12%Fixed Deposit	20,000	
Opening stock	50,000	
Purchases	250,000	
Debtors	30,000	
Creditors		14,275
Rates	27	

Electricity	180	
Salaries & Wages	20,0000	
Advertising	5,000	
Directors Remuneration	9,000	
Audit Fees	200	
Fixed Deposit Interest Received		600
EPF Contribution	3,000	
ETF Contribution	600	
Debenture Interest Paid	750	
Motor Vehicle Maintenance	600	
General Expenses	328	
Other Taxes	15	
Cash	2,800	
Bank	70,100	
Tax Paid	36,150	
Retained Profit 01.01.2011		725
Provision for Depreciation 01.01.2012		
Buildings		2,000
Office Equipment		1,500
Furniture & Fittings		350
Motor Vehicles		5,000
	594,450	**594,450**

Additional Information

1. Value of closing stock as at 31.12.2012 is Rs. 75,000/=
2. Electricity accrued at the end of the year Rs. 15,000/=
3. Audit Fees Payable for the year Rs.300,000/=
4. Advertising expenses include an amount of Rs.2, 000,000/= given as a donation to construct a dispensary.
5. The company depreciates its assets using the straight line basis as follows,
   - Buildings 5%
   - office equipments 25%
   - Furniture and fittings 25%
   - Motor Vehicles 25%
6. Provision for Bad debts has to be adjusted for 5% of debtors.
7. 50% of Fixed Deposit Interest has been received and 50% of Debenture Interest has been paid.
8. Market value of quoted investments is Rs. 9,600,000/=.
9. Following resolutions were presented at the directors meeting on 20.01.2013.
   i) Transfer Rs.1, 000,000/= to General Reserve.
   ii) Declare dividend to preference shareholders.
   iii) Declare dividend at Rs.10/= per share on ordinary share.
10. Ex-employee has claimed compensation of Rs. 5000,000 for his dismissal. Case is pending.

11. Negotiations are in progress to purchase Rs.50 Million worth machinery to produce pharmaceutical products.
12. Balance tax payable for the year is 48,200/=

You are required to prepare following

i) Comprehensive income statement(Trading profit and Loss Account) for the year ended 31.12.2012
ii) Statement of the Financial Position (Balance sheet) as at 31.12.2012.

(30 Marks)

Q2. Gayan Enterprises produces and sells three (03) products A,B and C.

Following information relate to the month of January 2013.

	Project sales	Selling Price Per Unit	Variable Cost Per Unit	Fixed cost for the Month is Rs, 3,210,000/=
		Rs.	Rs.	
A	15,000 Units	150/=	80/=	
B	12,000 Units	200/=	70/=	
C	20,000 Units	160/=	80/=	

(a) Calculate the contribution per unit of each product, total contribution per product, total contribution for the 3 products and the profit for the month.
(b) If product "A" is produced and sold and its fixed cost is Rs. 805,000/=, calculate the Break Even Sales Units and Sales value and the Margin of Safety.

(15 Marks)

Q3. Ransalu Limited prepared the following budget for the six months ended on June 30th -2012 as given below.

(Rs.'000)

	Jan	Feb	March	April	May	June
Income						
Cash Sales	8000	4000	12000	6000	4000	4000
Credit Sales	10000	4000	12000	6000	4000	4000
Bank Loan			25000			
Issue of shares			40000			
Other income	1000	1000	1000	1000	1000	1000
Expenditure						
Cash purchases	4000	2000	6000	3000	3000	2000
Credit purchases	8000	4000	6000	3000	3000	2000
Adm. Expenses	500	500	500	500	500	500
Selling Expenses	800	400	1200	300	300	200
Finance Expenses	200	200	200	200	200	200
Payment of loan			5000	5000	5000	5000
Project expenses			30000	30000	-	-

But the actual receipts and payments were reported in the following manner.

(i) Cash sales in Jan and Feb. reduced by 20% and increased by 40% in March.
(ii) A sum of Rs. 4 Million paid in January 2012 against December 2011 Credit Purchases and Rs. 5 Million received in January 2012 against December 2011 Credit Sales.
(iii) 50% cash received against the Credit Sales in the current month while the balance received in the subsequent month.
(iv) 40% cash paid against the Credit Purchases in the current month while the balance paid in the subsequent month.
(v) Administrative expenses reduced by 15% every month while Selling Expenses increased by 20% in the month of March.
(vi) Issue of Shares suspended.
(vii) Bank Loan obtained Rs. 65Million. Repayment Rs.7.5 Million from April.
(viii) Cash Balance on 1st Jan 2012 1 Million.
(ix) Other Incomes reduced by 50%.

You are required to prepare a statement showing the actual receipts and payments for the 3 months ended on 31-03-2012.

(15 Marks)

Q4. Write short notes on any three (03) of the following.

(a) Capital expenditure.
(b) Petty Cash Book and its usefulness.
(c) Investment opportunities in Sri Lanka.
(d) Parties interested in Final accounts of companies.

(15 Marks)

PART B

Q5.

(a) What is Cobweb theory? Explain how it is used to present a more realistic and dynamic analysis of the lagged response of supply to changes in price.

(08 marks)

(b) Using illustrations explain how each of the following policy measures influences the respective market.
(i) Government introducing a production subsidy on paddy.
(ii) Government imposing a tax on the supply of electrical items.
(iii) Government introducing a minimum legal wage.

(12 marks)

Q6. (a) "The Monopolistic Composition and Oligopolistic Markets are more realistic and represents the actual market structure faced by most firms, where as Perfect Composition and Pure Monopoly rarely exist in real situations". Do you agree? Explain using examples.

(12 marks)

(b) Using illustration explain why the firms operating in a Monopolistically Competitive market cannot continue to make economic profit in the long run.

(08 marks)

Q7. (a) (i) What are the major macro-economic goals of a country?

(ii) Briefly explain how the government use Fiscal, Monitory policies to achieve the said macro goals.

(12 marks)

(b) What are the major factors that prevent Developing Countries from achieving higher Economic growth? Explain taking Sri Lanka as an example.

(08 marks)

END