

**II B. Tech I Semester Regular/Supplementary Examinations, October/November - 2019****MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS**

(Com to EEE, ME, ECE, EIE, ECC, AME, AE and Mining Engineering)

Time: 3 hours

Max. Marks: 70

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- Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B**)  
 2. Answer **ALL** the question in **Part-A**  
 3. Answer any **Four** Questions from **Part-B**
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**PART -A**

1. a) Explain Determinants of demand. (2M)
- b) Define Production function. (3M)
- c) Define Monopolistic competition. (2M)
- d) What is Sole Traders? (2M)
- e) Define Journal. (2M)
- f) Define Time Value of Money. (3M)

**PART -B**

2. a) State the relationship of Managerial economics with other subjects. (7M)
- b) What is Elasticity of Demand? How do you measure it? (7M)
3. a) Explain the Law of variable proportions. (7M)
- b) What is Break Even analysis? Show graphical presentation of Break Even analysis. (7M)
4. a) What is Perfect competition? State its features. (7M)
- b) What do you understand by Theory of Firm? What are the main features of the theories of firm as given by Williamson. (7M)
5. a) Discuss the features, merits and demerits of Partnership. (7M)
- b) Explain the different Features of a Business cycle. (7M)

6. a) What is Double Entry system of Accounting? State its merits and demerits. (7M)
- b) From the following balances of Suresh, Prepare Trading Account and Profit and Loss Account for the year ended December 31, 2009. (7M)

Stock on 31-12-08	12,800
Salaries	36,000
Sundry expenses	2,400
Depreciation on plant	10,000
Repairs to plant	5,000
Rent and taxes	1,500
Purchases	1,12,000
Freight inwards	7,500
Returns outwards	4,000
Sales	2,50,000
Returns inwards	5,000
Discount allowed	1,500
Discount received	2,000
Advertising	1,000
Carriage outwards	1,800
Manufacturing expenses	15,000
Stock on 31-12-09	15,400

7. a) Define Capital budgeting and discuss its importance. (7M)
- b) Explain Net Present Value method of capital budgeting. (7M)

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**PART -A**

1. a) What is Income demand? (2M)
- b) Explain Isoquants. (3M)
- c) Define Oligopoly. (2M)
- d) Define Partnership firm. (2M)
- e) What is the purpose of Ledger? (2M)
- f) Define Capital. (3M)

**PART -B**

2. a) Describe the nature and scope of Managerial Economics. (7M)
- b) What is Demand forecasting? Explain any four methods of demand forecasting. (7M)
3. a) Explain Cobb - Douglas production function. (7M)
- b) Differentiate between Fixed cost and Variable Costs. Give examples for each. (7M)
4. a) Compare between Monopoly and Perfect competition. (7M)
- b) Discuss different pricing methods that are seen in Internet context. (7M)
5. a) State the features, merits and demerits of Sole Proprietorship. (7M)
- b) What do you mean by a Business cycle? Explain its various phases with the help of a diagram. (7M)

6. a) Prepare (i) Trading Account and (ii) Profit and Loss Account for the (7M)  
information given which is related to Sai & Co for the year ended 31-12-08.

| Particulars           | Dr (Rs)       | Cr (Rs.)      |
|-----------------------|---------------|---------------|
| Capital               |               | 7,610         |
| Cash in hand          | 30            |               |
| Purchases             | 8,990         |               |
| Sales                 |               | 11,060        |
| Cash in Bank          | 885           |               |
| Fixtures and fittings | 225           |               |
| Lighting and heating  | 65            |               |
| Freehold premises     | 1,500         |               |
| Bills receivable      | 825           |               |
| Returns inwards       | 30            |               |
| Salaries              | 1,075         |               |
| Creditors             |               | 1,950         |
| Debtors               | 5,700         |               |
| Stock on 31-12-07     | 3,000         |               |
| Printing              | 225           |               |
| Bills payable         |               | 1,875         |
| Rates, taxes          | 190           |               |
| Discount received     |               | 445           |
| Discount allowed      | 200           |               |
|                       | <b>22,940</b> | <b>22,940</b> |

Stock on 31-12-08 was valued at Rs. 1800.

- b) Distinguish between Funds Flow Statement and Cash Flow Statement. (7M)
7. a) Explain the difference between Capital and Capitalisation. (7M)
- b) What is Accounting Rate of Return? State its merits and demerits. (7M)



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**PART -A**

1. a) Define Elasticity of demand. (2M)
- b) Define Opportunity cost. (3M)
- c) What is Monopoly? (2M)
- d) List out the features of Partnership deed. (2M)
- e) Define Trial balance. (2M)
- f) Explain Payback period. (3M)

**PART -B**

2. a) Evaluate Survey methods of demand forecasting. (7M)
- b) State and explain the Law of supply. (7M)
3. a) What is Isoquant? Illustrate the types of isoquants. (7M)
- b) ABC company has a fixed cost of Rs. 12,000, selling price per unit is Rs. 6 and variable cost per unit is Rs. 4. Find (i) BEP in terms of volume and value and (ii) the margin of safety at 9000 units of production. (7M)
4. a) Illustrate how price is determined in case of Perfect competition. (7M)
- b) Explain any four methods of pricing. (7M)
5. a) Distinguish between Private limited company and Public limited company. (7M)
- b) What do you understand by Business cycle? What are its causes? (7M)
6. a) From the following particulars, calculate (i) Gross Profit Ratio (ii) Net Profit Ratio and (iii) Operating Ratio; Sales Rs. 5,00,000; Cost of goods sold Rs. 3,00,000; Operating expenses Rs. 1,00,000; Non-operating expenses Rs. 20,000. (7M)
- b) Explain the significance of Cash Flow statement. (7M)
7. a) What is the Time Value of Money? Illustrate with an example. (7M)
- b) Discuss briefly Discounted Cash Flow methods of capital budgeting. (7M)

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**PART -A**

1. a) Define Demand. (2M)
- b) Define Break-even point. (3M)
- c) Define Limit pricing. (2M)
- d) Define Private limited company. (2M)
- e) Define Funds Flow Statement. (2M)
- f) Define Profitability Index. (3M)

**PART -B**

2. a) Define Managerial Economics and describe its scope. (7M)
- b) Explain the Law of demand and its limitations. (7M)
3. a) Briefly explain various Cost concepts citing examples for each. (7M)
- b) An enterprise has a fixed cost of Rs. 63,000; selling price per unit is Rs. 60 and variable cost per unit is Rs. 30. The present level of output is 4000 units. (7M)
  - (i) Find BEP in terms of volume and value.
  - (ii) Calculate margin of safety.
  - (iii) What is the change in BEP and margin of safety is fixed cost increases to Rs. 72,000.
4. a) What is Monopoly? What are its features? Illustrate price determination in case of monopoly. (7M)
- b) Explain Morris growth Maximisation theory of firm. (7M)
5. a) What is a Joint stock company? State its features. (7M)
- b) Describe the features of Business cycles. (7M)



6. a) Prepare Trading and Profit & Loss Account of M/s. Rana and Sons for the year ending 31<sup>st</sup> December 2013 from the following information. (7M)

|                         |          |
|-------------------------|----------|
| Stock on 1-1-2013       | 2,00,000 |
| Purchases               | 2,55,000 |
| Wages                   | 1,00,000 |
| Carriage                | 5,000    |
| Purchase returns        | 13,250   |
| Export duty             | 9,000    |
| Sales                   | 5,75,000 |
| Coal and Coke           | 25,000   |
| Sales returns           | 10,000   |
| Printing and stationary | 2,250    |
| Stock (31-12-2013)      | 3,00,000 |
| Salary                  | 30,000   |
| Rent and Taxes          | 12,000   |
| Depreciation            | 3,020    |
| Repairs                 | 6,000    |
| Discount allowed        | 12,505   |
| Bad debts               | 9,000    |
| Advertisement           | 2,500    |
| Gas and water           | 1,500    |
| Factory lighting        | 2,500    |
| General expenses        | 4,000    |

- b) How are Ratios classified? What do they convey? (7M)
7. a) What is Capital Budgeting? Explain the nature of capital budgeting. (7M)
- b) Evaluate Internal Rate of Return method of capital budgeting. (7M)