

II B. Tech I Semester Regular Examinations, March - 2021
MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
 (Com to EEE, ECE, MIN)

Time: 3 hours

Max. Marks: 75

Answer any **FIVE** Questions each Question from each unit
 All Questions carry **Equal** Marks

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- 1 a) Define Managerial Economics and discuss the scope of Managerial Economics. [8M]
 b) Explain the nature of Demand. What could be the different types of demand? [7M]
- Or
- 2 a) What do you mean by Elasticity of demand? [8M]
 b) Describe the Qualitative methods of demand forecasting. [7M]
- 3 a) What is meant by the term "Production Function". How can a production function aid in decision making? [8M]
 b) What are "Returns to scale". How do they arise? [7M]
- Or
- 4 a) Differentiate between Fixed cost and Variable cost. Give examples of each. [8M]
 b) If a company makes a single product with sales price of Rs. 10, variable cost of Rs. 6 and fixed cost of Rs. 60,000. Find (a) Number of units to break even (b) Sales at break-even (c) Contribution to sales ratio. [7M]
- 5 a) Compare and contrast Monopoly and Monopolistic competition. [8M]
 b) What are the main features of the theories of firm as given by Williamson? [7M]
- Or
- 6 a) What is a Business Cycle? What are its characteristics? [8M]
 b) Describe the various forms of Public Enterprises in India. [7M]
- 7 a) Distinguish between a Journal and Ledger. [8M]
 b) What are the contents of a Balance Sheet? [7M]
- Or
- 8 a) Explain the objectives and limitations of Ratio Analysis as a tool for interpretation of financial statements. [8M]
 b) Distinguish between Funds Flow and Cash Flow statements. [7M]
- 9 a) Explain the factors affecting the requirements of Working capital. [8M]
 b) What is Capital Budgeting? Summarise its features. [7M]
- Or
- 10 a) What is Payback period technique of capital budgeting? Mention its merits and demerits. [8M]
 b) The expected life of a project is 5 years which costs Rs. 8,000. In its expected life, the yield is Rs. 22,000, Rs. 28,000, Rs. 30,000 and Rs. 34,000 respectively. Find the Pay back period. [7M]

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- 1 a) What is the relationship of Managerial Economics with other subjects? [8M]  
b) Explain the Law of demand and the assumptions and exceptions to this law. [7M]
- Or
- 2 a) Define Elasticity of demand. Explain the types of elasticity of demand. [8M]  
b) State and explain the Law of supply. [7M]
- 3 a) Explain briefly Cobb-Douglas production function. [8M]  
b) What are the sources of External economies? [7M]
- Or
- 4 a) Explain "Opportunity Cost" by giving an example. [8M]  
b) XYZ Company has a fixed cost of Rs. 24,000; selling price per unit at Rs. 12 and variable cost per unit is Rs. 8. Find (a) BEP in terms of volume and value and (b) the margin of safety at 18,000 units of production. [7M]
- 5 a) What is Perfect competition? State its features. [8M]  
b) Discuss different Internet pricing methods. [7M]
- Or
- 6 a) Describe briefly the different phases of a Business Cycle. [8M]  
b) What is a Joint Stock Company? List and explain its salient features. [7M]

- 7 a) What do you understand by “Double Entry System’ of accounting. [7M]  
 b) Prepare Trading and Profit and Loss Account of M/s. Gupta and Sons for the year ending 31<sup>st</sup> December, 2020 from the following information. [8M]

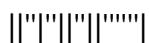
| <b>Particulars</b>      | <b>(Rs.)</b> |
|-------------------------|--------------|
| Stock (1-1-2020)        | 2,00,000     |
| Purchases               | 2,55,000     |
| Wages                   | 1,00,000     |
| Carriage                | 5,000        |
| Purchase returns        | 13,250       |
| Export duty             | 9,000        |
| Sales                   | 5,75,000     |
| Coal and Coke           | 25,000       |
| Sales returns           | 10,000       |
| Printing and Stationery | 2,250        |
| Stock (31-12-2020)      | 3,00,000     |
| Salaries                | 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        |

Or

- 8 a) Classify financial Ratios on the basis of financial statements. [8M]  
 b) What is a Cash Flow Statement? Explain its utility. [7M]
- 9 a) Define Fixed Capital? Explain its features. [8M]  
 b) What do you understand by Time Value of Money? [7M]

Or

- 10 a) Define Capital Budgeting. Discuss the nature and importance of capital budgeting. [8M]  
 b) Briefly explain the Traditional methods of capital budgeting. [7M]



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- 1 a) Managerial Economics is the discipline which deals with the application of economic theory to business decisions. Discuss. [8M]
b) What are the factors influencing demand for a commodity. [7M]
- Or
- 2 a) Explain the different kinds of Elasticity of demand with suitable diagrams. [8M]
b) What are the different methods of Demand forecasting. Exemplifying any two of them. [7M]
- 3 a) What is Isoquant? Illustrate the types of Isoquants. [8M]
b) Discuss the types of internal economies available to a firm. [7M]
- Or
- 4 a) Distinguish between Implicit cost and Explicit cost. [8M]
b) Illustrate Break-even analysis with help of Break-even chart. [7M]
- 5 a) What do you understand by Monopolistic competition? How is price determined under it. [8M]
b) State the conditions in which Skimming pricing strategy can be followed. [7M]
- Or
- 6 a) Explain the characteristics of the different phases of a Business Cycle. [8M]
b) Outline the features, merits and demerits of Partnership form of business organisation. [7M]

- 7 Prepare final accounts for Priyank for the year ended 31st March, 2020 from the following information. [15M]

Particulars	Debit balance (Rs.)	Credit balance (Rs.)
Cash in hand	4,500	
Purchases	10,500	
Sales		15,000
Returns	2,000	500
Opening stock	5,000	
Carriage inwards	1,000	
Bad debts	1,000	
Rent	4,000	4,000
Commission	1,000	2,000
Discount	2,000	1,500
Machinery	10,000	
Debtors	9,000	
Interest	1,000	3,000
Creditors		1,000
Capital		23,000
Provision for bad debts		1,000
Total	51,000	51,000

Adjustments:

1. Closing stock is Rs. 15,000
2. Depreciate machinery at 10%
3. Further Bad debts are Rs. 1,000
4. Make a provision for Bad Debts at 10% on debtors.

Or

- 8 a) Liquidity ratios help in identifying the danger signals of the firm in advance. Explain. [8M]
- b) What is a Funds Flow Statement? What are the steps in the preparation of Funds Flow Statement? [7M]
- 9 a) Explain the meaning of Capital. What is its importance for business enterprises. [8M]
- b) Describe the factors determining the working capital. [7M]

Or

- 10 a) Explain the importance of Capital budgeting in financial decisions. [8M]
- b) Illustrate Net Present Value technique of capital budgeting. [7M]

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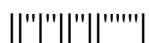
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- 1 a) Managerial Economics consists of the use of economic modes of thought to analyze business saturations. Explain. [8M]  
b) Explain the Law of demand with the help of demand curve and demand schedule. [7M]
- Or
- 2 a) Distinguish between Price-elasticity, Income-elasticity and Cross-elasticity. [8M]  
b) What is the importance of Demand forecasting? How is the forecast made? [7M]
- 3 a) Appreciate the managerial uses of Production function. [8M]  
b) Illustrate the Law of Variable proportions. [7M]
- Or
- 4 a) Explain any four Cost concepts. [8M]  
b) What is Cost-Volume-Profit analysis? What are its uses and limitations? [7M]
- 5 a) Define Monopoly. How is price determined under Monopoly? [8M]  
b) Explain Average cost pricing and Limit pricing. [7M]
- Or
- 6 a) Illustrate the phases of a Business Cycle with the help of a diagram. [8M]  
b) Evaluate Sole Trader form of business organisation. [7M]



- 7 From the following balances of SKML Tent House, prepare Trading and Profit and Loss Account and Balance Sheet as on 31<sup>st</sup> December, 2013.

| Particulars                            | Dr (Rs.)      | Cr (Rs.)      |
|----------------------------------------|---------------|---------------|
| Capital                                |               | 10,000        |
| Plant and Machinery                    | 14,000        |               |
| Furniture and Fixtures                 | 200           |               |
| Debtors and Creditors                  | 2,400         | 1,700         |
| Drawings                               | 1,000         |               |
| Purchases                              | 10,500        |               |
| Wages                                  | 5,000         |               |
| Cash in hand                           | 200           |               |
| Cash at bank                           | 800           |               |
| Stock on 1 <sup>st</sup> January, 2013 | 2,000         |               |
| Returns outwards                       |               | 500           |
| Rates and taxes                        | 400           |               |
| Depreciation                           | 420           |               |
| Sales                                  |               | 26,800        |
| Manufacturing expenses                 | 800           |               |
| Travelling expenses                    | 100           |               |
| Sundry expenses                        | 400           |               |
| Bad debts                              | 150           |               |
| Printing and Stationery                | 50            |               |
| Carriage                               | 130           |               |
| Returns inwards                        | 400           |               |
| Repairs                                | 50            |               |
| <b>Total</b>                           | <b>39,000</b> | <b>39,000</b> |

The value of Stock on 31<sup>st</sup> December, 2013 is Rs. 11,355. [15M]

Or

- 8 a) From the following information calculate: (i) Current Ratio and (ii) Quick Ratio.  
 Current assets : Rs. 8,00,000  
 Current liabilities : Rs. 4,00,000  
 Stock : Rs. 2,20,000 [8M]
- b) What is a Funds Flow Statement? Explain the significance of Funds Flow Statement. [7M]
- 9 a) State the objectives of and the need for Capital. [8M]
- b) Define Capital Budgeting? Describe its scope and importance. [7M]

Or

- 10 a) What is Time Value of Money? Illustrate with an example. [8M]
- b) Why are Traditional methods of capital budgeting still popular. [7M]