

II B. Tech I Semester Supplementary Examinations, September - 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

- ~~~~~
- 1 a) Elucidate the scope and importance of Managerial Economics in present day's competitive market. [8M]
 b) Explain and illustrate using diagrams the difference between price and non-price influences that affect the behaviour of a supply curve. [7M]
 Or
- 2 a) Discuss how demand and supply determine the market price with example. [8M]
 b) What is elasticity of demand? Discuss the significant importance of demand forecasting. [7M]
- 3 a) Explicate Theories of Production. [8M]
 b) Explain the concept of cost? Explain the Explicit & Implicit Cost, Semi-Variable Cost and Fixed Cost with Example. [7M]
 Or
- 4 a) A company has fixed costs of \$300,000 and produces one product with a selling price of \$72.00 and a variable cost of \$42.00 per unit. The maximum factory capacity is 20,000 units and it anticipates selling 15,000 units. Construct a break-even chart showing the break-even point and the margin of safety at present. Fully label your diagram. How much profit will they make:
 I. At the present level of operation? II. If sales increase to the maximum that the factory can supply? III. Draw a breakeven chart. [8M]
 b) Describe the concepts of Returns to scale and Economies of scale in detail. [7M]
- 5 a) Discuss numerous types of market structure with example. [8M]
 b) Differentiate among Sole Trader, Partnership and Joint Stock Company. [7M]
 Or
- 6 a) Pick an industry that you believe satisfies the criteria of perfect competition and explain and illustrate with diagrams your case for picking this industry. [8M]
 b) Discuss how organizations do pricing? Quote relevant case. [7M]
- 7 a) Mr Robert commenced business on 1st January, 2011 with a capital of \$100,000 in cash. On the same date he opened the bank account in ADCB and deposited \$20,000. During the month of January 2011 the following transactions took place:
 Jan 1 Bought goods for cash 70,000
 2 Sold goods to Steve Co. (Credit) 38,000
 15 Sold goods for cash 9,000
 21 Steve Co. paid by cheque 35,000
 22 Stationery bill paid by cheque 2,000
 22 Telephone bill by cash 500
 31 Paid rent by cash 2,000
 Paid salaries by cash 3,000
 Withdrew cash personal use 5,000

Required:**Record journal entries for the transactions and post them to ledgers.**

- b) What is Final Account Statement? Discuss the objectives and importance of preparing it. [7M]
- Or
- 8 a) Read the following dialogue between two people: [8M]
 Mr. Sun: I am not clear about what happens to my money saved in the bank. Do you know about it?
 Mr. Moon: Yes I know, the bank gives loans from this money collected with it.
 Mr. Sun: But does it lend all the money to the borrowers?
 Mr. Moon: No it cannot do so. It even has to legally and compulsorily keep some percentage of its deposits in the form of cash and liquid assets as reserves with itself.
 Which of the reserve ratio is Mr. Moon sharing with Mr. Sun? Explain that reserve and how is that used to combat inflation?
- b) What is double entry system? Discuss why preparation of cash flow statement is important? [7M]
- 9 a) What is Capital Budgeting? Discuss the objectives and importance of Capital Budgeting. [8M]
- b) Consider a project with the expected cash flows: [7M]
- | Year | Cash flow |
|------|-----------|
| 0 | -\$50,000 |
| 1 | +50,000 |
| | +100,00 |
| 2 | 0 |
| | - |
| | \$100,00 |
| 3 | 0 |
- I. What is this project's internal rate of return?
 II. If the discount rate is 5%, what is this project's net present value?
 III. What is discounted cash flow method?
- Or
- 10 a) A project costing Rs.1,60,000/- Annual cash inflows of Rs8 0000/- after taxes for a period of six years. How much is the NPV if the firm expects 15% per annum (PVF 0.870, 0.756, 0.658, 0.572, 0.497, 0.432 for year one to six years respectively). [8M]
- b) Discuss capital budgeting techniques. [7M]

