

III B.Tech. I Semester(R07) Regular Examinations, December 2009
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
 (Common to Civil Engineering, Mechanical Engineering, Electronics and Communication Engineering and Electronics & Computer Engineering & Bio Technology)

Time: 3 hours

Max Marks: 80

Answer any FIVE questions
 All questions carry equal marks

- ① Define Managerial Economics. Explain its nature and scope.
- ② What are the needs for demand forecasting? Explain the various steps involved in demand forecasting.
3. A company makes a single product with a sales price of Rs 10 and a variable cost of Rs 6 per unit. Fixed costs are Rs 60,000. Calculate,
 - (a) Break-even units.
 - (b) Break-even sales.
 - (c) Sales to get profit of Rs 10,000.
 - (d) Profit-volume Ratio.
4. (a) Define market and explain how markets are classified?
 (b) Briefly explain the role of selling cost under monopolistic competition.
5. Explain the features, merits and limitations of Joint Stock Companies.
- ⑥ (a) What is capital? Explain the types and significance of capital.
 (b) Explain the concept of working capital, its features.
- ⑦ Journalise the following transactions into the books of Hariprasad:

Jan.1	Bought goods from Raj for	5000
Jan.2	Sold goods for cash	1500
Jan.5	Sold goods to Hari	3000
Jan.12	Bought goods for cash	7500
Jan.18	Bought furniture for cash	2000
Jan.21	Bought furniture for cash	2500
Jan.24	Received from Hari on account	1750
Jan.30	Paid Raj on account	2250
Jan.31	Paid Salaries	1500

- ⑧ What is meant by Ratio Analysis? Explain briefly various techniques of Ratio Analysis.

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1. Managerial Economics is the integration of Economic theory with business practice for the purpose of decision making and forward planning. Discuss.
2. What do you mean by elasticity of demand and examine the concepts of elastic and inelastic demand.
3. What is Break-even point? How do you determine it? Show graphical representation of B.E.A.
4. (a) Explain important features of Perfect Competition Market.
(b) Differentiate between Perfect Competition Market and Monopoly Market.
5. Define Partnership. Explain its features. Evaluate it as against Sole Proprietorship.
6. A company has two proposals each costing Rs 9 lakhs. The details of the cash inflows are as follows.

Year	Project-I	Project-II
1	3,00,000	6,00,000
2	5,00,000	4,00,000
3	6,00,000	3,00,000
4	2,00,000	2,00,000

The cost of capital is 10% per Year. Which one you will choose under NPV method.

7. Write a short notes on:
 - (a) Personal account
 - (b) Nominal account
 - (c) Real account
8. Journalize the following transactions and post them to ledger.

1	Ram invests Rs 10,000 cash
2	He bought goods worth Rs 2,000 from Hari
3	He bought a machine for Rs 5,000 from Kiran on account
4	He paid to Kiran Rs 2,000
5	He sold goods for cash Rs 3,000
6	He sold goods to 'A' on account Rs 4000
7	He paid to Hari Rs 1000
8	He received amount from 'A' Rs 2,000

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1. Explain the role of a Managerial Economist in a business firm. ✓
2. What is meant by elasticity of demand? Briefly explain various types of elasticities. ✓
3. Describe Break-even point with the help of diagram and its uses in business decision making.
4. (a) What is a perfect competition market? Describe its features.
 (b) Distinguish between perfect competition and monopoly.
5. (a) Define Sole Trade Organization. Explain its main features.
 (b) Differentiate between Sole Trade and Partnership.
6. Consider the case of the following company with the following two investment alternatives each costing 9 lakhs. The details of cash inflows are as follows:

Year	Project-I (Rs)	Project-II (Rs)
1	3,00,000	6,00,000
2	5,00,000	4,00,000
3	6,00,000	3,00,000

The cost of capital is 10% Per year. Which one you will choose

- (a) Under NPV method
 - (b) Under IRR method.
7. Explain the following adjustments and illustrate suitably with assumed data.
 - (a) Closing stock
 - (b) Outstanding expenses
 - (c) Prepaid income
 - (d) Bad debts.
 8. (a) From the following information calculate
 - i. Debt equity ratio
 - ii. Current ratio

	Rs		Rs
Debentures	1,40,000	Bank balance	30,000
Long term loans	70,000	Sundry debtors	70,000
General reserve	40,000		
Creditors	66,000		
Bills payable	14,000		
Share capital	1,20,000		

- (b) Calculate interest coverage ratio from the information.

	Rs
Net profit after deducting interest and taxes	6,00,000
12% debentures of the face value of	15,00,000
Amount provided towards taxation	1,20,000

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1. Define Managerial Economics. Explain its nature and scope. ✓
2. (a) What is meant by Elasticity of Demand? ✓
(b) Determine the price elasticity of demand given that the Quantity demanded of a product is 2000 units, when the price is Rs.10 and when the price decreases to Rs.9, demand increases to 2500 units.
3. (a) State and explain Break-even analysis and explain its importance. ✓
(b) Explain the significance of B.E.P.
4. What is market? What are its essential characteristics? Discuss various types of markets.
5. Explain the features of Sole Trade Organization. Discuss the merits and demerits of Sole trade form of organization?
6. Consider the case of company with the following two investment proposals, each costing 18 lakhs. The details of cash inflows are as follows:

Year	Project-I	Project-II
1	6,00,000	12,00,000
2	10,00,000	8,00,000
3	12,00,000	6,00,000

The cost of capital is 10% Per year. Which one will you choose under NPV method?

Journalise the following transactions	
a	Started business with a capital of Rs. 25,000.
b	He paid into the bank Rs 20,000.
c	He purchased goods for cash Rs 5,000.
d	He withdraw cash from bank for office use Rs 8,000.
e	He sold goods for cash Rs 6,000 to 'X'.
f	He purchased Furniture for cash Rs 2,000 from 'Y'.
g	He purchased goods from 'M' on credit for Rs 4,000.
h	He paid Wages Rs 3,000 for installation a new plant.

8. What is meant by Ratio Analysis? Explain briefly various types of Ratio Analysis.

Membership
Agreement
Registration
Management
Risk
Uncertainty
Decision
Security