II B. Tech I Semester Supplementary Examinations, September – 2014
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Com. to EEE, ME, ECE, EIE, CSE, IT, ECC, BME)

Time: 3 hours 　　　　　　　　　　　　　　　　　　　　　　 Max. Marks: 75

Answer any **FIVE** Questions
All Questions carry **Equal** Marks
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1. a) Describe the basic tools in managerial economics for decision-making.
   b) Explain various types of elasticity of demand. 　　　　　　　　 (7M+8M)

2. a) Explain the change in income elasticity of demand.
   b) What is demand forecasting? Explain trend projection method demand forecasting (7M+8M)

3. a) Define production function. Write a note on the different types of production function
   b) A company produces a single article and sells it at Rs.10 each. The marginal cost of production is Rs.6 each and total fixed cost of the concern is Rs.400 per annum. Construct a break-even chart and show the following: i) Breakeven point ii) Margin of safety at sale of Rs.1500 iii) Angle of incidence iv) Increase in selling price if break-even point is reduced to 80 units. 　　　　　　　　　　　　　　　　　　　　　　　　 (7M+8M)

4. a) Explain how price determination under monopoly in the long run.
   b) Discuss the factors those influence price decisions 　　　　　　 (7M+8M)

5. a) Define the term joint stock company. What are its salient features?
   b) What is business cycle? Describe the different phases of a business cycle. 　 (7M+8M)

6. a) Define accounting and discuss its functions.
   b) What is trading account? What purpose does it serve? 　　　　　 (7M+8M)

7. a) Calculate net profit ratio from the following data:

Sales less returns	1,00,000	Selling expenses	10,000
Gross profit	40,000	Income from investment	5,000
Administration expenses	10,000	Loss on account of fire	3,000

   b) Determine in detail the significance of ratio analysis. 　　　　　 (7M+8M)

8. a) Briefly examine the significance of identification of investment opportunities in capital budgeting process.
   b) A firm is considering an investment proposal which requires an initial cash outlay of Rs.8 lakh now and Rs. 2 lakh at the end of the third year. It is expected to generate cash flows as under:

Year	Cash inflows
1	3,50,000
2	8,00,000
3	2,50,000

   Apply the discount rate of 12 percent calculate profitability index. 　 (7M+8M)

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1. a) Write a note on basic tools of managerial economics.
    b) What are the major determinants of price elasticity of demand?   (7M+8M)

2. a) Explain the importance of concept of elasticity of demand.
    b) What is demand forecasting? Explain in brief various methods of forecasting demand.
                                                                             (7M+8M)

3. a) Explain the production function with two variables or isoquants and isocost analysis.
    b) Explain the features of long run costs.   (7M+8M)

4. a) Describe the price output determination under perfect competition.
    b) Write a note on advantages and disadvantages of monopoly.   (7M+8M)

5. a) Enumerate the merits and demerits of partnership firm.
    b) What are the problems faced by the public enterprises in India.   (7M+8M)

6. a) What is an account? Explain the different types of accounts with examples.
    b) Journalize the following transactions for March 31, 2010:   (7M+8M)
       March 1 Vamsi started business with a capital of   Rs.20,000
               3 Paid cash to Madan   Rs.2,000
               5 Sold goods to Samuel   Rs.4,000
               6 Rent Paid   Rs.500

7. a) Stock turnover ratio is 2.5 times. Average stock is Rs.20, 000. Calculate cost of goods sold
       and also sales if profit earned is 25% of cost.
    b) Describe the various limitations of ratio analysis.   (7M+8M)

8. a) Explain the right procedure for capital budgeting decision.
    b) A project requires an initial outlay of Rs.1, 00,000. It is expected to generate the following
       cash inflows: (7M+8M)
Year	Cash inflows
1	50,000
2	50,000
3	30,000
4	40,000

       What is the IRR of the project?

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1. a) Managerial economics is the close related to the other subjects. Discuss
   b) Why the demand curve downward slopping. Explain　　　　　　　(7M+8M)

2. a) Explain the cross-elasticity of demand with examples.
   b) Describe the managerial uses of demand forecasting.　　　　　　(7M+8M)

3. a) Distinguish between fixed and variable costs.
   b) What are the advantages and disadvantages of using break-even analysis?　　(7M+8M)

4. a) Explain how price determination under monopoly in the long run.
   b) Explain the Marris Managerial theory of Firm Growth Maximization model.　　(7M+8M)

5. a) In what circumstances, sole proprietorship is considered and why.
   b) Write a note on: Prosperity and Depression in elaborate in business cycles.　　(7M+8M)

6. a) Explain the importance and purpose of final accounts.
   b) Post the following transactions in ledger accounts:　　　　　　(7M+8M)
      April, 2010　　Sold goods for cash　Rs.800
      　　"　　　　Paid cash to Uma　　Rs.2,000
      　　"　　　　Bought furniture　　Rs.2,000
      　　"　　　　Paid salaries　　　Rs.3,000

7. a) Discuss the statement 'Ratio analysis as a powerful tool'.
   b) Calculate debtors turnover ratio, if total sales is Rs.2,50,000, cash sales Rs.70,000, debtors
      in the beginning is Rs.16,000 and at the end is Rs.8,000 more.　　(7M+8M)

8. a) What are the merits and limitations of payback period? Explain
   b) Determine the payback period for the information given below:　　(7M+8M)
      i) The project cost is Rs.20,000
      ii) The life of the project is 5 years
      iii) The cash flows for the 5 years are Rs.10,000, Rs.12,000, Rs.13,000, Rs.11,000 and
      Rs.10,000 respectively.
      iv) Tax rate is 20%.

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1.　a) Explain how managerial economics help the business students to integrate the knowledge of economic theory with business practice.
　　b) Analyze various types of demand.　　　　　　　　　　　　　　　(7M+8M)

2.　a) How do you measure the price elasticity of demand?
　　b) Explain least square method and moving average method in demand forecasting.　(7M+8M)

3.　a) Write various states of production function in the long run.
　　b) Write a note on: Marginal cost, Out of pocket costs, Opportunity cost.　　(7M+8M)

4.　a) Illustrate price determination of a firm in the monopoly in the long run.
　　b) Discuss the factors those influence price decisions.　　　　　　　　(7M+8M)

5.　a) Explain the main characteristics of business in the modern world.
　　b) Explain the innovations theory of business cycles.　　　　　　　　(7M+8M)

6.　a) Distinguish between single entry system and double entry system of accounting.
　　b) Prepare a Trial balance for the following:
　　　Capital account Rs.20,000, Cash account Rs.18,500, Purchases account Rs.8,000, Sales account Rs.8,000, Furniture account Rs.2,000, X account Rs.4,000, Y account Rs.3,000, Rent account Rs.500.　　　　　　　　　　　　　　　　　(7M+8M)

7.　a) Explain the various classifications of ratios in detail.
　　b) Calculate Quick ratio: Current assets: Rs.8,00,000, current liabilities: Rs.4,00,000, inventories (stock): Rs.2,20,000.　　　　　　　　　　　　(7M+8M)

8.　a) Critically examine the payback period as a technique of approval of projects.
　　b) A project costs Rs.25,000 and is expected to generate cash inflows as follows:　(7M+8M)

Year	Cash inflows
1	10,000
2	8,000
3	9,000
4	6,000
5	7,000

　　Compute the NPV of the project.

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