

**R07****Set No: 1****Code No: V3101**

III B.Tech. I Semester Supplementary Examinations, December – 2013  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
 (Com. to CE, ME, ECE, ECC, AME, BIO)

**Time: 3 Hours****Max Marks: 80**

Answer any FIVE Questions  
 All Questions carry equal marks

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1. a) Define Managerial Economics? Describe its Scope and Importance.  
 b) Distinguish between Economic and Non-Economic Activities.
2. State and explain the law of Supply. What are the determinants of Supply? Are there any exceptions to this Law?
3. a) What is Break-Even Point? What are its uses to Business Firm?  
 b) What is meant by Elasticity of Supply? How do you measure it?
4. a) Define Market? What are the factors which determine the extent of the Market?  
 b) How do you classify markets on the basis of...  
     (i) Competition (ii) Time
5. a) Explain briefly Cobb-Douglas Production.  
 b) Explain the Least- Cost Combination of Factors.
6. a) Briefly explain Distinguish between Single Entry Systems and Double Entry System.  
 b) Journalize the following transactions
 

|   |         |
|---|---------|
| (i) 2000 January 1 sold machinery       | 30, 000 |
| (ii) 2000 January 2 discount allowed    | 1, 000  |
| (iii) 2000 January 3 paid salaries      | 5, 000  |
| (iv) 2000 January 4 commission received | 2, 000  |
7. What is meant by Ratio Analysis? Explain its importance in the analysis of Financial Statement.
8. A ratio manufacturing company finds that while it costs Rs. 6.25 to make each component X7135, the same is available in the market at Rs. 4.85 each, with an assurance of continued supply. The breakdown of cost is
 

|                 |             |
|-----------------|-------------|
| Rs. P           |             |
| Material        | 2. 75       |
| Labor           | 1.75        |
| Other Variables | 0.50        |
| Fixed Cost      | <u>1.25</u> |
|                 | <u>6.25</u> |

 should you make or buy.

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Set No: 2

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1. What is the meaning of Demand in Economics? Explain Demand Function and its Importance.
2. a) What is meant by elasticity of Supply? How do you measure it?  
b) Explain production function of single product and how it helps choice of methods.
3. a) What is Cost Control? What are the tools of techniques of Cost Control?  
b) Distinguish between Average Revenue and Marginal Revenue and explain how they are related to each other. What are their components?
4. a) Distinguish between Explicit Costs and Implicit Costs?  
b) Enunciate the various laws of returns to scale and bring out their Influence Cost.
5. What is Price-Discrimination? Explain different types of Price-Discrimination and the conditions under which it is possible.
6. a) Explain briefly the Evils of Monopoly.  
b) Distinguish between Production Cost and Selling Cost.
7. a) What are the differences between a funds flow Statement and a Balance Sheet?  
b) Explain the procedure of preparing a Funds Flow Statement.
8. Comment on the profitability of a foreign order from the following data

|   |   |
|---|---|
| Variable Cost per Unit  | Rs. 24                                  |
| Selling Price per Unit  | Rs. 40                                  |
| Break-Even Quantity   | 60% of the Capacity                     |
| Total Capacity  | 50,000 Units                            |
| Margin of Safety  | 10,000 Units (before the foreign order) |
| Foreign Order   | 10,000 Units @ Rs. 30 Per Unit          |
| For the alternations made in the export Quantity requires excess variable cost Rs.3 |   |

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1. a) State the law of demand and point out its assumptions.  
b) What are the basic economic tools in Managerial Economics?
2. Briefly explain Demand Forecasting and Methods of Demand Forecasting.
3. Explain and illustrate the Cost Curves of a firm.
  - a) In the Short Run
  - b) In the Long Run
4. a) Distinguish between Fixed Cost and Variable Cost.  
b) Distinguish between Money Costs, Real Costs and Opportunity Costs.
5. a) Distinguish between Sole Trading and Partnership.  
b) Briefly explain Joint Stock Company. What are its Characteristics?
6. What are the major differences between the Trial Balance and the Balance Sheet?
7. Explain briefly
  - a) Schedule of changes in Working Capital.
  - b) Statement of Sources and application of funds.
8. The following data is extracted from ABC LTD's financial statements

|                         |                  |
|-------------------------|------------------|
| Sales (1, 00,000 Units) | 10, 00,000       |
| (-) Variable Cost       | <u>5, 00,000</u> |
| Contribution            | 5, 00,000        |
| (-) Fixed Cost          | <u>3, 00,000</u> |
| Net Profit              | <u>2, 00,000</u> |

Calculate

  - a) P.V. Ratio
  - b) Break-Even Point (in Sale Value)
  - c) Margin of Safety Ratio
  - d) If Selling Price is increased by 10% what is the new PV Ratio.

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1. a) What are the Main Factors which influence the demand for a commodity?  
b) Distinguish between elastic and inelastic demand.
2. a) Explain the different kinds of Cost of Production and their Importance.  
b) Explain briefly the use of Cost-Data for Business Decisions.
3. Define Monopoly? How is price determined under Monopoly?
4. a) Explain the methods of preparation of Trial Balance.  
b) Enumerate various accounts which shows Debit and Credit Balances.
5. Explain different bases on which ratios are classified.
6. a) What is Funds Flow Statement? Examine its uses and significance to the Management.  
b) What is the Primary Purpose of Statement of the Sources and Uses?
7. a) What is the meaning of Business Cycles and explain its features and importance?  
b) Define Oligopoly and explain its importance and significance.
8. Write Short Notes on
  - (i) Pay Back Period
  - (ii) Accounting Ratio of Return
  - (iii) Net Present Value (NPV)
  - (iv) Budgeting

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