

II B. Tech II Semester Regular/Supplementary Examinations, April/May-2017
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Com. to CE, EIE)

Time: 3 hours

Max. Marks: 70

- Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B**)
 2. Answer **ALL** the question in **Part-A**
 3. Answer any **THREE** Questions from **Part-B**

PART -A

1. a) Mention the Concept of Demand (4M)
- b) Write a note on Cobb-Douglas Production (4M)
- c) Define Market Skimming (3M)
- d) What do you mean by Joint Stock Company (4M)
- e) Define Double Entry System (3M)
- f) What is Capital Budgeting (4M)

PART -B

2. a) Discuss the scope of Managerial Economics in business decision making (8M)
- b) Explain the demand forecasting technique in modern organization. (8M)
3. a) Define Production function. What is its importance? (8M)
- b) Break-even analysis is highly important in out-put decision making. Do you agree? Discuss (8M)
4. a) What do you mean by market? Explain its important features. (8M)
- b) What is monopolistic competition? Explain its important features (8M)
5. a) Discuss the factors affecting choice of the forms of business organization. (8M)
- b) What is the need of Public enterprises? Explain the recent achievement of Public enterprises. (8M)
6. a) Define and explain the importance of the ratio analysis and explain types of ratios (6M)
- b) Record the following transactions in the journal of Rajagopal furniture mart: (10M)
 2014
 Jan 1 Started business with cash 10,000/-
 Jan 2 Cash deposited into bank 9,000/-
 Jan 3 Paid installation charges of machinery 100/-
 Jan 4 Paid wages 3000/-
 Jan 5 Paid rent 200/-
 Jan 6 Paid salaries 4000/-
7. a) Find out the IRR of the following investment proposal: (10M)
 Initial investment Rs.70,000/-, Expected annual cash inflow RS.24,000/-
 Economic life of the project 4 years, Present value of annuity of Re 1 for 4 years
 @ 10% 3.170 @ 12% 3.037 @ 14% 2.914 @ 16% 2.798
- b) Define Capital Budgeting. Explain its importance (6M)

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PART -A

1. a) Define Elasticity of Demand (3M)
- b) Write a note on Cost Volume Profit analysis (4M)
- c) Define Isoquants and Isocosts (3M)
- d) What do you mean by Sole trader (4M)
- e) List out the levels of Business cycle (4M)
- f) What are the different financial statements (4M)

PART -B

2. a) Define Managerial Economics and its relation with other subjects. (8M)
- b) Explain different types of Elasticity of Demand (8M)
3. a) Describe Break-even point with the help of diagram and its uses in business decision making. (8M)
- b) What are the factors of Production? How do they influence the production function in an enterprise? (8M)
4. a) What is a Perfect Competition market? Describe its features. (8M)
- b) Explain the objectives of Pricing. And its methods. (8M)
5. a) What do you mean by Double entry system of Book-keeping? Explain elaborately (7M)
- b) Mention different types of classification of accounts along with examples. (9M)
6. a) Differentiate between Sole trader and Partnership elaborately (7M)
- b) A firm sold goods worth Rs.5, 00,000 and its gross profit is 20 percent of sales value. The inventory at the beginning of the year was Rs.16, 000 and at the end of the year was Rs.14, 000. Compute inventory turnover ratio and also the inventory holding period. (9M)
7. a) Project A requires an investment of Rs.5, 00,000 and has a scrap value of Rs.20, 000 after 5 years. It is expected to yield profits after depreciation and taxes during the five years amounting to Rs.40, 000, Rs.60, 000, Rs.70, 000, Rs.50, 000, Rs.20, 000. Calculate the average rate of return. (9M)
- b) Enumerate various types of capital and explain its techniques. (7M)

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PART -A

1. a) Mention the theory of demand (4M)
- b) Differentiate between fixed cost Vs variable cost (4M)
- c) Write a note on Internet pricing (4M)
- d) Write a note on Partnership deed (4M)
- e) Define cash flow statement (3M)
- f) What do you mean by NPV (3M)

PART -B

2. a) Describe the managerial economics and its significance (8M)
- b) Explain various methods of demand forecasting elaborately (8M)
3. a) Describe the law of variable proportions along with examples (9M)
- b) Explain different cost concepts in the globalised era (7M)
4. a) Discuss the merits and demerits of a Partnership firm (9M)
- b) What is the need of Public enterprises and its features (7M)
5. a) Describe the accounting concepts and conventions elaborately (7M)
- b) Journalise the following transactions in the books of Sri Suresh & Co. (9M)
 - Jan 1 started business with capital 50,000/-
 - Jan 2 cash deposited into bank 10,000/-
 - Jan 5 purchased goods for cash from Rama 10,000/-
 - Jan 8 purchased machinery from Ajay Engineering company and payment made by cheque 15,000/-,
 - Jan 10 paid wages 10,000/-
 - Jan 12 received interest from Ashok 20,000/-
6. a) Describe the managerial theory of firm proposed by Maris and Williamson's models. (8M)
- b) Explain the characteristics of Monopolistic pricing method. (8M)
7. a) The cost of a project is Rs.50,000 the annual cash inflows for the next 4 years are Rs.25,000. What is the payback period for the project (6M)
- b) A project costs Rs.25,000 and is expected to generate cash inflows as (10M)

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

The cost of capital is 12%. Compute the NPV of the Project.

Note: Log table is required for this paper.

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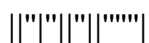
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PART -A

1. a) Write a note on exceptions of law of demand (4M)
- b) Write a note on Cooperative societies (4M)
- c) Define Trial balance (3M)
- d) What do you mean Isoquants (3M)
- e) Write a note on statement of changes of working capital (4M)
- f) Define Profitability index (4M)

PART -B

2. a) Discuss the measurements of elasticity of demand elaborately (8M)
- b) Explain the various determinants of Demand (8M)
3. a) Describe the economies of scale and its advantages (8M)
- b) A firm has a fixed cost of Rs.10,000, selling price per unit is Rs.5 and variable cost per unit is Rs.3. i) Determine break-even point in terms of volume and also sales value ii) Calculate the margin of safety considering that the actual production is 8000 units. (8M)
4. a) Enumerate the features of monopoly type of market structures (8M)
- b) Differentiate between duopoly and oligopoly market structures (8M)
5. a) Describe the merits and demerits of sole trader form of business (8M)
- b) What is partnership? Explain contain of partnership Act. (8M)
6. a) Differentiate between funds flow statement and cash flow statement (8M)
- b) 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. (8M)
7. a) Explain the merits and limitations of payback period (8M)
- b) Discuss the acceptance and rejection rules of discounted and non-discounted cash flow techniques of capital budgeting. (8M)



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PART –A

1. a) Distinguish Price Elasticity to that of Income Elasticity of Demand (4M)
- b) Draw Iso-Quant Graph and list out characteristics of Iso-quant (4M)
- c) Explain the managerial theories of firm. (3M)
- d) Draw graph for Product Life Cycle(PLC) and list out various stages of PLC (3M)
- e) Determine Stock Velocity if Sales is Rs.20.00 Lakhs, Gross Profit is 25%, Opening Stock is Rs. 4.50 Lakhs and Closing Stock is Rs.3.50 Lakhs and assume number of days in a year is 365 Days (4M)
- f) Determine Accounting Rate of Return if Average Income is Rs.5.00 Lakhs, Initial Cost of Investment is Rs.15.00 Lakhs, Scrap Value is Rs.2.00 Lakhs and assume that the company follows Straight Line Method of Depreciation (4M)

PART –B

2. a) List out various scope areas of managerial economics & its relevance to Civil Engineering Discipline (8M)
- b) Draw Demand Graph and enlist various assumptions, properties and limitations to law of demand. (8M)
3. a) Draw graph for law of variable proportions and describe the behavior of average, marginal and total production curves behavior in different phases. (8M)
- b) Explain the Break Even Analysis role in developing organization (8M)
4. a) How price and output is determined under perfect competition for industry and firm in short run? (8M)
- b) List different methods of pricing and explain any two methods of pricing in detail? (8M)

5. a) Differentiate features, merits and demerits Sole-trader and Partnership form of business organization? (8M)
- b) What are the different objectives and features of establishing Public Sector Undertakings (PSUs) by Government? (8M)
6. a) Differentiate Accounting Concepts & Conventions and explain any six of them. (8M)
- b) Journalize the following entries in the Books of M/s. Rock Well Industries Ltd. (8M)

No	Date	Description	Rs Lakhs.
1	01-01-2016	Started Business with cash	5.00
2	02-01-2016	Deposited in Andhra Bank	3.00
3	05-01-2016	Purchased Goods on Credit from ABC Ltd	15.00
4	08-01-2016	Sold goods on Credit to XYZ Ltd	5.00
5	10-01-2016	Paid Freight Charges by Cheque	0.25
6	25-01-2016	Paid Salaries from Bank	2.00
7	30-01-2016	Drawn Cash from Bank	5.00
8	31-01-2016	Purchased Furniture on Credit from GBL	1.20

7. a) Compare features merits and demerits of Pay Back Period and Accounting Rate of Return methods of capital budgeting. (8M)
- b) Determine Pay Back Period, Accounting Rate of Return for the following information (8M)

Year	Investment	2011	2012	2013	2014	2015	Scrap
Cash flow (Rs Lakhs)	30.00	7.00	6.50	8.50	3.00	5.75	5.00

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PART –A

1. a) Explain the demand factors. (4M)
- b) Differentiate internal and external economies of scale of production (3M)
- c) Features of perfect competition (3M)
- d) List various contents in partnership deed (4M)
- e) Determine Debtors Velocity if Sales is Rs.30.00 Lakhs, Credit Sales is 80%, (4M)
 Opening Balance of Debtors is Rs.7.50 Lakhs and Closing Balance of Debtors is Rs.4.50 Lakhs and assume number of days in a year is 365 Days.
- f) Determine Pay Back Period for the following information in Lakhs of Rupees (4M)

Initial Cost	I-Year	II-Year	III- Year	IV-Year	V-Year
15.00	3.00	4.50	5.50	3.50	2.75

PART -B

2. a) Explain the Law of Demand? Explain the difference type of income and price Elastic types. (8M)
- b) Estimate Demand for year 2025 using method of least squares with the help of following information: (8M)

Year	1991	1995	1999	2011	2015
Sales in Rs. Lakhs	2	5	8	12	20

3. a) What are the reasons, sources for economies of scale? List and explain various types of internal economies of scale? (8M)
- b) Determine BEP, Fixed Cost, and PV Ratio for the following information: (8M)

Description	2014-15	2015-16
Sales(Rs. Lakhs)	12.00	24.00
Profit(Rs. Lakhs)	4.00	12.00

4. a) How price and output is determined under Monopolistic competition for group and firm in both short run & long run? (8M)
- b) What are the situations, objectives and reasons for fixing price? Also explain any four modern methods of price fixation? (8M)

5. a) Differentiate features, merits and demerits Private Limited and Public Limited Companies? (8M)
- b) Discuss the Business cycles role in changing Scenario of Business (8M)
6. a) What are subsidiary books? Explain in detail about any four of them along with proper formats? (8M)
- b) Compute Current ratio, Quick Ratio and Cash Ratio with the help of following information: (8M)

No	Description	Rs. Lakhs
1	Cash	2.25
2	Bank	15.50
3	Creditors	2.50
4	Bills Payables	4.50
5	Debtors	8.00
6	Bills Receivables	2.00
7	Loan from Bank	3.50
8	Loans and Advances to Suppliers	5.00
9	Bank Over Draft	1.50
10	Prepaid Expenses	0.50
11	Outstanding Incomes	0.25
12	Outstanding Expenses & Salaries	1.00
13	Marketable Securities	6.00
14	Short Term Investments	4.00
15	ST Fixed Deposits	2.00

7. a) Compare features, merits and demerits of Accounting Rate of Return, Profitability Index and Internal Rate of Return methods of capital budgeting. (8M)
- b) Determine Internal Rate of Return for the following information regarding Project-Z (8M)

Year	Investment	2011	2012	2013	2014	2015	Scrap
Cash flow (Rs Lakhs)	25.00	6.00	5.50	4.50	6.00	2.75	2.00
PV Factor 10%	1.00	0.909	0.826	0.751	0.683	0.621	0.621
PV Factor 14%	1.00	0.877	0.769	0.675	0.592	0.519	0.519

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PART -A

1. a) Differentiate Income Elasticity & Promotional elasticity (4M)
- b) Differentiate Average Cost and Marginal Cost (4M)
- c) Explain Methods of pricing (3M)
- d) Explain clauses in Memorandum of Association (3M)
- e) Determine Current Ratio If Cash Rs.2.50 Lakhs, Bank Rs. 6.50 Lakhs, Debtors Rs. 10.00 Lakhs, Stock Rs.2.00 Lakhs, Bills Receivables Rs. 2.00 Lakhs, Bills Payable Rs. 3.00 Lakhs, Creditors Rs.6.00 Lakhs and Bank Over Draft Rs.2.50 Lakhs (4M)
- f) Determine Net Present Value for the following information in Lakhs of Rupees (4M)

Initial Cost	I-Year	II-Year	III- Year
6.00	3.50	2.50	1.50
Present Value @ 10%	0.909	0.826	0.751

PART -B

2. a) What is Managerial Economics? What are the objectives, scope and uses of managerial economics? (8M)
- b) What is Demand Elasticity? Explain different methods of Demand Elasticity. (8M)
3. a) What is a production function? What are the different types of production functions used in short and long run? (8M)
- b) Determine Sales Volume to get a desired profit as given in the table: (8M)

Description	ABC Ltd	XYZ Ltd	PQR Ltd
Sales Price Per Unit	50	100	25
Variable Cost Per Unit	40	90	20
Fixed Cost (Rs. Lakhs)	10.00	25.00	15.00
Desired Profit(Rs. Lakhs)	25.00	15.00	5.00

4. a) How price and output is determined under Monopoly and Monopolistic competition for in short run? (8M)
- b) How different methods of pricing is useful for fixing price for existing and new products depending on Product Life Cycle Stages and Business Cycle stages? (8M)
5. a) Differentiate features, merits and demerits Cooperative Society and Joint Stock Companies? (8M)
- b) Compare contents in Memorandum of Association and Articles of Association? (8M)

6. a) Explain the difference between Funds flow and cash flow statements. (8M)
 b) Prepare Three Column Cash in the Books of M/s. MIC Ltd. (8M)

No	Date	Description
1	01-12-2015	Opening Balance of cash Rs.4.00 Lakhs
2	03-12-2015	Opening Balance of Bank Rs.8.00 Lakhs
3	06-12-2015	Purchased Goods on Credit from ABC Ltd for Rs. 15.00 Lakhs and Paid Cash of Rs. 1.50 Lakhs and rest on credit
4	10-12-2015	Sold goods on Credit to XYZ Ltd Rs. 30.00 Lakhs, Received Cash of Rs.2.00 Lakhs & a bank cheque for Rs.18.00 Lakhs and rest on credit
5	13-12-2015	Paid Freight Charges by Cheque Rs.1.25 Lakhs
6	17-12-2015	Paid Salaries from Bank Rs.1.15 Lakhs
7	20-12-2015	Drawn Cash from Bank Rs.0.50 Lakhs
8	24-12-2015	Purchased Furniture on Credit from M/S. Tumbi Rs. 4.00 Lakhs
9	26-12-2015	Purchased A/C from M/S. Godrej Ltd Rs. 1.00 Lakhs paid through bank
10	28-12-2015	Purchased Motor Car on Credit from M/S. BMW Rs. 40.00 Lakhs and paid cash of Rs.1.00 Lakhs
11	30-12-2015	Received a cheque from XYZ Ltd for Rs.9.00 Lakhs and Rs.1.00 Lakhs discount
12	31-12-2015	Paid a cheque from ABC Ltd for Rs.12.00 Lakhs and Rs.1.50 Lakhs discount

7. a) Compare features merits and demerits of Net Present Value and Internal Rate of Return methods of capital budgeting. (8M)
 b) Determine Net Present Value for the following information (8M)

Project	Investment	2011	2012	2013	2014	2015	Scrap
X Cash flow (Rs Lakhs)	25.00	6.00	5.50	4.50	6.00	2.75	2.00
Y Cash flow (Rs Lakhs)	15.00	2.00	3.50	7.50	8.00	2.00	4.00
PV Factor 10%	1.00	0.909	0.826	0.751	0.683	0.621	0.621



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PART –A

1. a) Explain the Explicit Cost Vs Implicit Cost (4M)
- b) Identify formula for Profit Volume Ratio and list uses of PV Ratio (4M)
- c) Features of monopoly competition (3M)
- d) Differences between private limited and public limited companies (3M)
- e) Determine Debt-Equity Ratio and Proprietary Ratio If Fixed Assets Rs.25.00 Lakhs, Equity Capital Rs. 15.00 Lakhs, Debentures Rs. 10.00 Lakhs, Reserves and Surplus Rs.7.50 Lakhs, Premium on Shares & Debentures Rs. 4.00 Lakhs, and Goodwill Rs.1.50 Lakhs (4M)
- f) Determine Profitability Index for the following information in Lakhs of Rupees (4M)

Initial Cost	I-Year	II-Year	III- Year
8.00	5.50	4.50	3.50
Present Value @ 10%	0.909	0.826	0.751

PART –B

2. a) What do you understand by different distinctions of demand how they are useful in estimation of demand for a product in hypothetical market? (8M)
- b) Estimate Demand for year 2030 using method of least squares with the help of following information: (8M)

Year	2001	2004	2008	2010	2015
Sales in Rs. Lakhs	4	2	6	10	12

3. a) What is Cost-Output Relationship? Explain the behavior of various curves in both short and lung run. (8M)
- b) Determine BEP, Fixed Cost, and PV Ratio for the following information: (8M)

Description	2014-15	2015-16
Sales(Rs. Lakhs)	10.00	48.00
Profit(Rs. Lakhs)	4.00	20.00

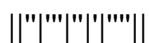
4. a) Differentiate features of Perfect competition, Monopoly and Monopolistic Markets? (8M)
- b) Explain the Cost-Volume profit analysis role in Business decision. (8M)

5. a) Differentiate features of Sole-trader, Hindu Undivided Family(HUF) and Cooperative Society form of organizations? (8M)
 b) Explain the concepts of Business cycles. (8M)
6. a) What are the financial statements and explain different techniques of analyzing them? (8M)
 b) Compute Current ratio, Quick Ratio and Cash Ratio with the help of following information: (8M)

No	Description	Rs. Lakhs
1	Cash	5.25
2	Bank	15.00
3	Creditors	12.00
4	Bills Payables	4.00
5	Debtors	6.00
6	Bills Receivables	4.00
7	Loan from Bank	1.50
8	Loans and Advances to Suppliers	2.00
9	Bank Over Draft	4.50
10	Prepaid Expenses	1.50
11	Outstanding Incomes	2.25
12	Outstanding Expenses & Salaries	1.50
13	Marketable Securities	8.00
14	Short Term Investments	3.00
15	ST Fixed Deposits	5.00

7. a) Compare features merits and demerits of Pay Back Period and Accounting Rate of Return methods of capital budgeting. (8M)
 b) Determine Pay Back Period and Profitability Index for the following information about Project X (8M)

Year	Investment	2011	2012	2013	2014	2015	Scrap
Cash flow (Rs Lakhs)	10.00	2.00	3.00	4.50	5.00	3.75	1.50



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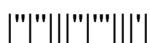
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PART – A

1. a) Explain the types of demand.
- b) Explain Explicit Costs Vs. Implicit Costs.
- c) Explain the salient features of oligopoly.
- d) Describe the salient features of sole trader.
- e) Explain the importance of accounting and financial analysis.
- f) Explain the meaning of capital budgeting. (3M+4M+4M+4M+4M+3M)

PART – B

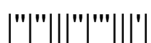
2. a) Define Managerial Economics and explain its scope.
- b) What is Elasticity of demand? And explain its types and measurement of Price elasticity of demand. (7M+9M)
3. a) What is Production function? Explain the Cobb-Douglas Production function.
- b) Explain the salient features of Break-even analysis. (8M+8M)
4. a) Explain different market structures and salient features of perfect completion.
- b) Describe the limit pricing and market skimming pricing. (8M+8M)
5. a) What is business? And explain the salient features of partnership.
- b) Explain the meaning and salient features of business cycles. (8M+8M)
6. a) Briefly explain the different techniques of capital budgeting.
- b) Explain any two methods of traditional capital budgeting. (8M+8M)



7. a) Explain the importance of ratio analysis.
 b) Given are the Balance Sheets of ABC Limited. You are required to prepare a Funds Flow Statement.

	As on 31 st March, 2013 (Rs)	As on 31 st March, 2014 (Rs)
Fixed assets at cost	7,00,000	8,70,000
Less: depreciation	2,56,000	3,60,000
Net fixed assets (A)	4,50,000	5,10,000
<i>Current assets</i>		
Investments (temporary)	1,00,000	1,50,000
Closing inventory	18,15,000	19,00,000
Sundry debtors	13,15,000	13,87,000
Total of current assets (B)	32,30,000	34,37,000
<i>Less: Current liabilities</i>		
Bank overdraft	11,60,000	5,50,000
Trade creditors and provision	9,98,000	11,92,000
Proposed dividend	1,60,000	2,40,000
Total current liabilities (C)	23,18,000	19,82,000
Working capital (D) = (B) – (C)	9,12,000	14,55,000
Net fixed assets + Net Working Capital (A) + (D)	13,62,000	19,65,000
<i>Represented by</i>		
Ordinary share capital	7,56,000	10,00,000
General Reserve	2,60,000	3,80,000
Profit and Loss Account	3,52,000	4,85,000
8 % Debentures	---	1,00,000
	13,62,000	19,65,000

(4M+12M)



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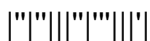
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**PART-A**

1. a) Define Managerial Economics
- b) Define Isoquants
- c) What are the Pricing Objectives?
- d) Write a short note on Trade cycle
- e) Write a short note on Accounting cycle
- f) What do you mean by Payback period (3M+3M+4M+4M+4M+4M)

**PART-B**

2. a) Define the law of demand. What are its exceptions? Explain (8M+8M)  
 b) Explain different methods of demand forecasting
3. a) Explain the laws of returns with appropriate examples (8M+8M)  
 b) Discuss the different cost concepts used in the process of cost analysis
4. a) Differentiate between perfect and imperfect markets (7M+9M)  
 b) Explain the Marris Managerial theory of Firm Growth Maximization Model
5. a) Enumerate the merits and demerits of partnership firm (8M+8M)  
 b) Describe the different phases of a business cycle
6. a) Define accounting and discuss its functions (9M+7M)  
 b) Calculate the earnings per share from the following data:  
     Net profit before tax Rs.1,00,000  
     Taxation at 50% of net profit  
     10% Preference share capital (Rs.10 each) Rs.1,00,000  
     Equity share capital (Rs.10 share) Rs.1,00,000
7. a) Explain the nature of capital budgeting proposals (9M+7M)  
 b) Discuss the phases of capital expenditure decisions



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**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
 (Com. to CE, EIE)

Time: 3 hours

Max. Marks: 70

- Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B**)  
 2. Answer **ALL** the question in **Part-A**  
 3. Answer any **THREE** Questions from **Part-B**
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**PART-A**

1. a) What do you mean by Consumer equilibrium
- b) Write a note on Law of increasing returns
- c) Define Monopoly
- d) What are the types of companies?
- e) Write a note on Double-entry book keeping
- f) What do you mean by Profitability index (3M+4M+3M+4M+4M+4M)

**PART-B**

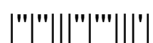
2. a) What do you understand by elasticity of demand? Explain the factors governing it
- b) Explain Demand forecasting in case of new products (8M+8M)
3. a) Discuss the economies of scale that accrue to a firm
- b) Kamal enterprises deals in the supply of hardware parts of computer. The following cost data is available for two successive periods:
 

| Year I (Rs.)  | Year II (Rs.) |          |
|---------------|---------------|----------|
| Sales         | 50,000        | 1,20,000 |
| Fixed costs   | 10,000        | 20,000   |
| Variable cost | 30,000        | 60,000   |

 Determine a) Break-even point b) Margin of safety (7M+9M)
4. a) Illustrate the price determination in case of monopoly
- b) Discuss the factors those influence price decisions (8M+8M)
5. a) Define partnership. What are its essential features
- b) Discuss the various measures that may be taken by a firm to counteract the evil effects of a trade cycle (8M+8M)
6. a) Explain different accounting concepts and accounting conventions
- b) Calculate the 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     | 10,000   | Loss on account of fire | 3,000  |

 (8M+8M)
7. a) Explain the significance of capital budgeting
- b) Discuss the merits and demerits of accounting rate of return (8M+8M)





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**PART-A**

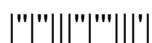
1. a) Define Economics, as a science of wealth  
 b) Compare accounting costs and economic costs  
 c) Write a note on monopolistic competition  
 d) What are the privileges of a private company?  
 e) What are the rules for Debit and Credit?  
 f) Define Capital rationing (3M+4M+3M+4M+4M+4M)

**PART-B**

2. a) Explain how do you measure elasticity of demand  
 b) What is demand function? How do you determine it (8M+8M)
3. a) Explain how cost-output relationship helps the entrepreneurs in expansion decisions  
 b) Discuss the significance of Break-even analysis (8M+8M)
4. a) What is Oligopoly? Explain the features of oligopoly market  
 b) Explain Price discrimination and how it happens (8M+8M)
5. a) Explain the main characteristics of business in the modern world  
 b) What are the problems faced by the public enterprises in India (8M+8M)
6. a) Explain the sources and applications of funds flow and cash flow statements  
 b) Journalise the following transactions as on March 31,2010 and post it in ledger.  
     March 1, Vamsi started business with Rs.20,000  
     Purchased goods from Madan Rs.4,000  
     Sold goods to Samuel Rs.4,000  
     Rent paid Rs.500 (7M+9M)
7. a) Explain the traditional methods of Capital budgeting  
 b) A project costs Rs.25,000 and is expected to generate cash inflows as
 

| Year | Cash inflows |
|------|--------------|
|      | 10,000       |
|      | 8,000        |
|      | 9,000        |
|      | 6,000        |
|      | 7,000        |

Compute the NPV of the project and the cost of the capital is 12%. (Data book is required)  
 (7M+9M)



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**PART-A**

1. a) Write the significance of the advertising elasticity of demand
- b) Write a note on Cobb-Douglas Production function
- c) Write a note on Market Skimming Pricing
- d) What do you mean by Memorandum of Association
- e) Write a note on Trading and Profit and loss account
- f) Define Internal rate of return (4M+4M+3M+3M+4M+4M)

**PART-B**

2. a) Illustrate. How do you interpret the different types of elasticity
- b) Differentiate extension in demand and increase in demand. Illustrate (8M+8M)
3. a) Explain the features of short-run average cost and long-run average cost curve
- b) How do you determine BEP. Show graphical presentation of BEA (8M+8M)
4. a) Explain the structure of markets
- b) Discuss Williamson's Managerial Discretionary theory (7M+9M)
5. a) In what circumstances, sole proprietorship is considered and why
- b) Explain the characteristics of Business cycle (8M+8M)
6. 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) What is a trial balance? Explain the method of its preparation (8M+8M)
7. a) What are the merits and limitations of payback period
- b) Explain the significance of identification of investment opportunities in capital budgeting process (8M+8M)

