

**II B.Tech II Semester Regular Examinations, Apr/May 2006**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
( Common to Electrical & Electronic Engineering, Electronics &  
Communication Engineering, Computer Science & Engineering, Electronics &  
Instrumentation Engineering, Bio-Medical Engineering, Information  
Technology, Electronics & Control Engineering, Mechatronics and  
Computer Science & Systems Engineering)

**Time: 3 hours**

**Max Marks: 80**

**Answer any FIVE Questions**  
**All Questions carry equal marks**

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1. Discuss the utility of demand forecasting. What is the criteria of a good forecasting method? For [4+6+6]
  - (a) new products
  - (b) Existing products.
2. Explain the following
  - (a) Internal Economies
  - (b) External Economies. [8+8]
3. How do you determine BEP in terms of physical units and sales value? Explain the concepts of margin of safety and the angle of incidence. Illustrate through a breakeven chart. [6+6+4]
4. What is Perfect Competition? How is Market Price determined under conditions of Perfect Competition? [6+10]
5.
  - (a) What are the characteristics of a business unit?
  - (b) Explain the features of sole trader form of organization. Discuss the advantages and limitations of sole trader form of organization. [6+10]
6. Determine the pay back period for the information given below
  - (a) the project cost is Rs.20,000
  - (b) the life of the project is 5 years
  - (c) the cash flows for the 5 years are Rs.10,000;Rs.12000;Rs.13000; Rs.11000 and Rs.10,000 respectively and
  - (d) tax rate is 20%. [16]

7. During January 2003 Narayan transacted the following business.

Date		Rs
1.	Commenced business with cash	40,000
2.	Purchased goods on credit from Shyam	30,000
3.	Received cash from Murthy as advance for Goods ordered by him	3,000
4.	Paid wages	500
5.	Goods returned to Shyam	200
6.	Goods sold to Kamal	10,000
7.	Goods returned by Kamal	500
8.	paid into bank	500
9.	Goods sold for cash	750
10.	Bought goods for cash	1,000
11.	Paid salaries	700
12.	Withdrew cash for personal use	1,000

Journalize the above transactions and prepare Cash Account.

[16]

8. The following are the extracts from the financial statements of Blue and Red Ltd., as on 31<sup>st</sup> March 2001 and 2002 respectively.

	<u>31 March 2001</u>	<u>31 march 2002</u>
	Rs.	Rs.
Stock	10,000	25,000
Debtors	20,000	20,000
Bills receivables	10,000	5,000
Cash in hand	18,000	15,000
Bills payable	15,000	20,000
bank overdraft	-	2,000
9%debentures	5,00,000	5,00,000
Sales for the year	3,50,000	3,00,000
Gross profit	70,000	50,000

Compute for both the years the following:

- Current ratio
- Acid ratio
- Stock turnover ratio. Also interpret the results.

[5+5+6]

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1. (a) What are the possible approaches to forecasting demand for new products?  
(b) Discuss the Utility of demand forecasting. [8+8]
2. Define production function. Discuss in detail the different types of production functions. [4+12]
3. Write short notes on the following:
  - (a) Profit-Volume Ratio
  - (b) Margin of Safety
  - (c) Angle of incidence
  - (d) Contribution. [4+4+4+4]
4. (a) What are the causes for the emergence of monopoly?  
(b) How is the equilibrium position attained by a monopolist under varying cost conditions? [6+10]
5. Evaluate the partnership form of business organization. How does it overcome the limitations of proprietary form of business? [8+8]
6. What are the components of working capital? Explain each of them. [16]
7. Prepare Trading and profit and loss account for the year ended 31.12.2001 and a Balance Sheet as on that date from the following Trial Balance.

	Dr, Rs.	Cr Rs.
Furniture	6,500	
Plant and machinery	60,000	
Buildings	75,000	
Capital		1,25,000
Bad debts	1,750	
Reserve for bad debts		3,000
Sundry debtors	40,000	
Sundry creditors		24,000
Stock(1.1.2001)	34,600	
Purchases	54,750	
Sales		1,54,500
Bank overdraft		28,500
Sales returns	2,000	
Purchases returns		1,250
Advertising	4,500	
Interest	1,180	
Commision received		3,750
Cash in hand	6,500	
Salaries	33,000	
General expences	7,820	
Car expences	9,000	
Taxes and insurence	3,500	
	3,40,000	3,40,000

[16]

8. Following is the Profit and Loss Account and Balance Sheet of Jai Hind Ltd. Calculate the following ratios:

- (a) Gross Profit Ratio
- (b) Current Ratio
- (c) Quick ratio.

[5+5+6]

*Profit and Loss Account*

Dr.			Cr.
Liabilities	Rs.	Assets	Rs.
To Opening stock of finished goods	1,00,000	By Sales	8,00,000
To Opening stock of raw materials	50,000	By Closing stock of raw materials	1,50,000
To Purchase of raw materials	3,00,000	By closing stock of finished goods	1,00,000
To manufacturing Expences	1,00,000	By Profit orsale of shares	50,000
To Administration Expences	50,000		
To Selling and distribution expenses	50,000		
To Loss on sale of plant	55,000		
To Interest on debentures	10,000		
To Net profit	3,85,000		
	11,00,000		11,00,000

*BalanceSheet*

Liabilities	Rs.	Assets	Rs.
<u>Share Capital :</u>		Fixed Assets	250000
Equity Share capital	100000	Stock of raw materials	150000
Preference share capital	100000	Stock of finished goods	100000
Reserves	100000	Sundry debtors	100000
Debentures	200000	Bank balance	50000
Sundry creditors	100000		
Bills payable	50000		
	650000		650000

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1. (a) Explain the various factors that influence the demand for a computer.  
 (b) What is cross elasticity of Demand? Explain. [8+8]
2. Why does the Law of Diminishing Returns operate? Explain with the help of assumed data and also represent in a diagram. [4+6+6]
3. A company reported the following results for two periods.

period	Sales	Profit
I	Rs.20,00,000	Rs.2,00,000
II	Rs.25,00,000	Rs.3,00,000

Ascertain the BEP, P V Ratio, Fixed Cost and margin of safety. [4+4+4+4]

4. (a) What are the causes for the emergence of monopoly?  
 (b) How is the equilibrium position attained by a monopolist under varying cost conditions? [6+10]
5. (a) What are the characteristics of a business unit?  
 (b) Explain the features of sole trader form of organization. Discuss the advantages and limitations of sole trader form of organization. [6+10]
6. What are the components of working capital? Explain each of them. [16]
7. (a) What is Trial Balance? Why it is prepared?  
 (b) From the following list of balances prepare a Trial Balance as on 30-6-2003

		Rs.			Rs.
i	Opening Stock	1,800	xiii.	Plant	750
ii.	Wages	1,000	xiv	Machinery tools	180
iii	sales	12,000	xv.	Lighting	230
iv	bank loan	440	xvi.	Creditors	800
v.	coal and coke	300	xvii.	Capital	4,000
vi	purchases	7,500	xviii.	Misc.receipts	60
viii	carriage	150	xx.	Office furniture	60
ix.	income tax	150	xxi.	Patents	100
x.	debtors	2,000	xxii.	Goodwill	1,500
xi	leasehold premises	600	xxiii.	Cash at bank	510
xii.	Cash in hand	20			

[16]

8. What are the limitations of Ratio Analysis? Does ratio analysis really measure the financial performance of a company? [8+8]

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1. (a) Explain the various factors that influence the demand for a computer.  
(b) What is cross elasticity of Demand? Explain. [8+8]
2. Explain the following with reference to production function,  
(a) Marginal rate of Technical substitution  
(b) Variable proportions of factors. [8+8]
3. How do you determine BEP in terms of physical units and sales value? Explain the concepts of margin of safety and the angle of incidence. Illustrate through a breakeven chart. [6+6+4]
4. Define Monopoly. How is it further classified? How is price determined under Monopoly? [4+4+8]
5. What do you understand by Joint Stock Company? What are its salient features? [8+8]
6. (a) Describe the institutions providing long term finances.  
(b) What are the different market situations in imperfect competition? [8+8]
7. What do you understand by Double Entry Book Keeping? What are its advantages? [16]
8. What are the limitations of Ratio Analysis? Does ratio analysis really measure the financial performance of a company? [8+8]

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