

II B.Tech. I Semester Supplementary Examinations, May -2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Electronics & Telematics, Electronics & Computer
Engineering and Instrumentation & Control Engineering)

Time: 3 hours**Max Marks: 80**

Answer any FIVE Questions
All Questions carry equal marks

1. Managerial economics is the study of the allocation of resources available to a firm or other unit of Management among the activities of that unit. Explain.
2. Why does the Law of Diminishing Returns operate? Explain with the help of a diagram.
3. When marginal cost (M C) Average cost (AC) change
 - (a) at the same rate,
 - (b) at a higher rate
 - (c) at a lower rate?

Illustrate your answer through a diagram.

4. Explain the following with the help of a table and diagram under perfect competition and monopoly.
 - (a) Total Revenue
 - (b) Marginal Revenue
 - (c) Average Revenue
5. Define and Evaluate Statutory corporation.
6. What are the merits and limitations of Pay Back period? How does Discounting approach overcome the limitations of Pay back method?
7. What do you understand by Double Entry Book Keeping? What are its advantages?
8. From the following extract of a balance sheet of an Airlines company calculate the debt equity ratio and interest coverage ratio. Given that the debt equity ratio is in the range of 10:1 , how do you interpret this ratio ?

50,000 , 10% preference shares of	Rs.100 each
2,00,000 equity shares of	Rs.10 each
10% ,30,000 debentures of	Rs.100 each
Net profit during the year was	Rs. 10,00,000

II B.Tech. I Semester Supplementary Examinations, May -2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Electronics & Telematics, Electronics & Computer
Engineering and Instrumentation & Control Engineering)

Time: 3 hours

Max Marks: 80

Answer any FIVE Questions
All Questions carry equal marks

1. Discuss the nature and scope of Managerial economics.
2. How will you define economies of scale? Explain how increasing returns to scale work out in reality.
3. Write short notes on the following:
 - (a) Profit-Volume Ratio
 - (b) Margin of Safety
 - (c) Angle of incidence
4. Explain the following with the help of a table and diagram under perfect competition and monopoly.
 - (a) Total Revenue
 - (b) Marginal Revenue
 - (c) Average Revenue
5. Define and Evaluate Statutory corporation.
6. What are the components of working capital? Explain each of them.
7. What do you understand by Double Entry Book Keeping? What are its advantages?
8. What are the limitations of Ratio Analysis? Does ratio analysis really measure the financial performance of a company?

II B.Tech. I Semester Supplementary Examinations, May -2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Electronics & Telematics, Electronics & Computer
Engineering and Instrumentation & Control Engineering)

Time: 3 hours**Max Marks: 80**

Answer any FIVE Questions
All Questions carry equal marks

★ ★ ★ ★ ★

1. (a) Explain the various factors that influence the demand for a computer.
 (b) What is cross elasticity of Demand? Explain.
2. Why does the Law of Diminishing Returns operate? Explain with the help of a diagram.
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.
4. Explain the following with the help of a table and diagram under perfect competition and monopoly.
 - (a) Total Revenue
 - (b) Marginal Revenue
 - (c) Average Revenue
5. Discuss the features of company type of Business Organisation.
6. (a) A project involves initial outlay of Rs. 1,29,600. Its working life is expected to be 3 years. The cash inflows are likely to be as follows:
 1st years: Rs.64,000; 2nd year: Rs.56,000; 3rd year: Rs. 24,000. Compute the internal rate of return.
 (b) Evaluate payback method.
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.

8. From the following extract of a balance sheet of an Airlines company calculate the debt equity ratio and interest coverage ratio. Given that the debt equity ratio is in the range of 10:1 , how do you interpret this ratio ?

50,000 , 10% preference shares of	Rs.100 each
2,00,000 equity shares of	Rs.10 each
10% ,30,000 debentures of	Rs.100 each
Net profit during the year was	Rs. 10,00,000

II B.Tech. I Semester Supplementary Examinations, May -2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Electronics & Telematics, Electronics & Computer
Engineering and Instrumentation & Control Engineering)

Time: 3 hours**Max Marks: 80**

Answer any FIVE Questions
All Questions carry equal marks

1. Define price - elasticity of demand. What are the various degrees of price elasticity. Illustrate graphically.
2. Explain and illustrate Laws of Returns.
3. What is opportunity Cost? Give some examples of opportunity cost. How are these costs relevant for managerial decisions?
4. Compare and contrast between perfect competition and monopoly.
5. Explain the features of sole trader form of organization. Discuss the advantages and limitations of sole trader form of organization.
6. What is NPV? What is IRR? Compare and contrast the two methods of evaluating capital proposals.
7. From the following Trial Balance and adjustments of Gopal, Prepare Trading Account and Profit and Loss Account for the year ending 30th September, 2002 and Balance sheet as on that date.

	Dr. Rs.	Cr. Rs.
Loan from Bank	64,000	84,000
Sundry debtors	44,000	
Stock (1.10.2002)	70	
Cash in hand	3,090	
Cash in bank	35,000	
Plant and machinery		21,300
Sundry creditors	2,150	
Trade expenses		2,69,000
Sales	4,450	
Salaries	800	
Carriages outwards	1,800	
Rent	2,37,740	
Bills payable	2,200	
Purchases	69,000	
Discounts	69,000	
Business premises		1,59,000
Capital (1.10.2001)	5,33,300	5,33,300

Adjust the following

- (a) Closing stock Rs.25,000
 - (b) Rent prepaid was Rs. 200
 - (c) Depreciated plant and machinery @ 20 per cent per annum
8. The following are the extracts from the financial statements of Blue and Red Ltd., as on 31st 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:

- (a) Current ratio
- (b) Liquidity ratio
- (c) Stock turnover ratio. Also interpret the results.

★ ★ ★ ★ ★