

**II B.Tech. II Semester Regular Examinations, April/May -2005**  
**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. What is managerial economics? Explain its focus areas
2. Why does the Law of Diminishing Returns operate? Explain with the help of a diagram.
3. You are given the following information about two companies in 2000.

Particulars	Company A	Company B
Sales	Rs.50,00,000	Rs.50,00,000
Fixed Expenses	Rs.12,00,000	Rs.17,00,000
Variable Expenses	Rs.35,00,000	Rs.30,00,000

4. Explain how an individual firm attains equilibrium in the short run and in the long run under conditions of Perfect Competition
5. Evaluate the Government Company form of public enterprise.
6. What are the merits and limitations of Pay Back period? How does Discounting approach overcome the limitations of Pay back method?
7. Prepare Trading and Profit and Loss account for the year ended 31.12.2003 and a Balance Sheet as on that date from the following Trail Balance.

	Debit Rs.	Credit Rs.
Purchases	45,000	
Debtors	60,000	
Interest earned		1,200
Salaries	9,000	
Sales		96,300
Purchases returns		1,500
Wages	6,000	
Rent	4,500	
Sales returns	3,000	
Bad debts written off	2,100	
Creditors		36,600
Capital		31,800
Drawings	7,200	
Printing and Stationery	2,400	
Insurance	3,600	
Opening stock	15,000	
Office Expense	3,600	
Furniture and fittings	6,000	
	1,67,400	1,67,400

Adjust the following

- (a) closing stock Rs.20,000
  - (b) Write off furniture @ 15% per annum.
8. Write a brief note on the importance of ratio analysis to different category of users.

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1. What is meant by elasticity of demand? How do you measure it?
2. Why does the Law of Diminishing Returns operate? Explain with the help of a diagram.
3. You are given the following information about two companies in 2000.

Particulars	Company A	Company B
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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. Explain the features of sole trader form of organization. Discuss the advantages and limitations of sole trader form of organization.
6. What are the components of working capital? Explain each of them.
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
vii	repairs	200	xix.	Office salaries	250
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			

8. As a financial analyst, what precautions would you take while interpreting ratios meaningfully

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1. What is managerial economics? Explain its focus areas
2. Explain the following with reference to production function,
  - (a) Marginal rate of Technical substitution
  - (b) Variable proportions of factors
3. You are given the following information about two companies in 2000.

Particulars	Company A	Company B
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4. Define Monopoly. How is price under Monopoly determined?
5. Explain the features of sole trader form of organization. Discuss the advantages and limitations of sole trader form of organization.
6. What is meant by discounting and time value of money? How is it useful in Capital Budgeting?
7. Record the following transactions in the suitable form of cash book

2004 Jan 1	Started business with cash	20,000
2	Paid for purchase of machinery from M/s. Ram and Co.	3,000
3	Paid insurance premium	200
5	paid rent for the month of Dec'2003	500
8	Paid cash for purchase of goods	3,000
10	Sold goods for cash	4,000
12	Drew cash for personal use	500
14	Paid Arun Rs.400 in full settlement of Rs.500	
15	received cash from karuna Rs.1000 in full settlement of Rs.1,050	

Also prepare cash Account.

8. What are the limitations of Ratio Analysis? Does ratio analysis real measurements the financial performance of a company?

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1. Point out the importance of managerial economics in decision making.
2. Explain the following with reference to production function,
  - (a) Marginal rate of Technical substitution
  - (b) Variable proportions of factors
3. (a) Explain the utility of Break-Even Analysis in managerial decision-making.  
 (b) How do you explain breakeven chart? Explain.
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. Explain the features of sole trader form of organization. Discuss the advantages and limitations of sole trader form of organization.
6. What are the merits and limitations of Pay Back period? How does Discounting approach overcome the limitations of Pay back method?
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