

III B.Tech I Semester Regular Examinations, November 2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Civil Engineering, Mechanical Engineering, Metallurgy &
Material Technology, Production Engineering and Bio-Technology)
Time: 3 hours **Max Marks: 80**

Answer any FIVE Questions
All Questions carry equal marks

1. What is managerial economics? What type of issues come under the preview of managerial economics? [6+10]
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. 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. What is Price discrimination? Discuss the different ways of Price discrimination. [6+10]
5. Define and Evaluate Statutory corporations. [16]
6. Give various examples of capital budgeting decisions. Classify them into specific kinds [16]
7. The following are the balance taken on 31st December, 2002 from the books of Mr.R.Sivaji.

	Debit Rs.	Credit Rs.
Capital		87,940
Opening Stock	85,600	
Discount		350
Wages	30,000	
Advertising	4,700	
Plant and machinery	20,000	
Sales		3,60,000
Electricity charges	700	
Return outwards		1,900
Office rent	1,500	
Purchases	2,62,700	
Bills Receivables	2,000	
Cash at bank	6,660	
Furniture and fittings	11,780	
Cash in hand	150	
Sundry creditors		8,450
Rates and taxes	300	
Printing and stationery	500	
Sundry debtors	18,000	
Drawings	12,500	
General expenses	1,230	
Insurance	420	
	4,58,640	4,58,640

Adjust the following:

- (a) Closing Stock Rs. 30,000
- (b) Rates and taxes paid in advance Rs. 30.
- (c) Rent paid in advance Rs.200
- (d) Provide for bad debts Rs.200.

[16]

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

III B.Tech I Semester Regular Examinations, November 2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Civil Engineering, Mechanical Engineering, Metallurgy &
Material Technology, Production Engineering and Bio-Technology)

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. [16]
2. Explain the principle of least cost combination of factors with reference to production function. [16]
3. Write short notes on the following:
 - (a) Fixed cost and variable cost
 - (b) Implicit cost
 - (c) out of pocket cost
 - (d) sunk cost

[4+4+4+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. Consider the case of the company with the following two investment alternatives each costing Rs.9 lakhs. The details of the cash inflows are as followa;

year	Rs. in Lakhs	
	project 1	project 2
1	3	6
2	5	4
3	6	3

the cost of capital is 10% per year. Which are will you choose (a) under Npv method.(b) under IRR method [16]

7. What do you understand by Double Entry Book Keeping? What are its advantages? [16]

8. “The Return on Investment is a single comprehensive measure that is influenced by everything happening within the organization”. Explain the statement and illustrate its computation with imaginary figures.

[16]

III B.Tech I Semester Regular Examinations, November 2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Civil Engineering, Mechanical Engineering, Metallurgy &
Material Technology, Production Engineering and Bio-Technology)
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. [8+8]
2. Explain and illustrate Laws of Returns. [16]
3. Explain the utility of Break-Even Analysis in managerial decision-making. [16]
4. Compare and contrast between perfect competition and monopoly. [16]
5. Discuss the factors that help in choosing a suitable form of Business Organization in private, and public sector. [16]
6. What are the merits and limitations of Pay Back period? How does Discounting approach overcome the limitations of Pay back method? [16]
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]

III B.Tech I Semester Regular Examinations, November 2005
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Civil Engineering, Mechanical Engineering, Metallurgy &
Material Technology, Production Engineering and Bio-Technology)
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. [16]
2. Explain the following with reference to production function,
 - (a) Marginal rate of Technical substitution
 - (b) Variable proportions of factors

[8+8]
3. (a) The information about Raj and Co., are given below:
 - i. Profit-Volume Ratio 20 %
 - ii. Fixed Cost Rs.36,000
 - iii. Selling price per unit Rs.150(b) Calculate:
 - i. BEP (in Rs.)
 - ii. BEP (in units)
 - iii. Variable Cost per unit
 - iv. Selling price per unit

[8+8]
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. What are the merits and limitations of Pay Back period? How does Discounting approach overcome the limitations of Pay back method? [16]

7. Journalise the following transactions and post them to ledger.

1. Ram invests Rs. 10,000 in cash.
2. He bought goods worth Rs. 2,000 from Shyam.
3. He bought a machine for Rs. 5,000 from Lakshman on account
4. He paid to Lakshman Rs. 2,000
5. He sold goods for cash Rs. 3,000
6. He sold goods to A on account Rs. 4,000
7. He paid to Shyam Rs. 1,000
8. He received amount from A Rs. 2,000

[16]

8. The balance Sheet of X and Co as on 31-12-1998 is as follows:

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
Equity capital	100000	Fixed Assets	180000
9% Preference Shares	50000	Stores	25000
8% debentures	50000	Debtors	55000
Retained earnings	20000	Bills Receivables	3000
Creditors	45000	Bank Balance	2000
	265000		265000

Calculate the following:

- (a) Debt Equity Ratio
- (b) Current Ratio
- (c) and interpret
- (d) Liquidity Ratio

[16]

★ ★ ★ ★ ★