

II B.Tech I Semester Supplementary Examinations, November 2006
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 utility of demand forecasting. What is the criteria of a good forecasting method? For [4+6+6]
 - (a) new products
 - (b) Ezisting products.
2. Explain briefly the relationship between total physical product average, and marginal physical product. With the help of assumed data represent graphically. [8+8]
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. Define Markets? Elaborate how differently are markets classified? [4+12]
5. Write a short notes on
 - (a) Departmental undertaking
 - (b) Government company
 - (c) Public corporation. [5+6+5]
6. Define 'Accounting rate of return' 'and Pay back period method'? Compare and contrast the two.Illustrate with assumed data. [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. (a) What are different tests of profitability for an investment?
- (b) The following is an extract of balance sheet of a company during the last year.
Compute current ratio and quick ratio. Also interpret the ratios.

	Rs.
Land and Buildings	1,50,000
Plant and machinery	3,00,000
Furniture and fixtures	1,25,000
Closing stock	25,000
Sundry debtors	62,500
Wages prepaid	7,500
Sundry creditors	18,000
Rent outstanding	12,000.

[16]

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1. (a) Define income - elasticity of demand. How does income - elasticity differ from price elasticity of demand?
 (b) How is cross elasticity of demand computed? [4+4+6]
2. Explain briefly the relationship between total physical product average, and marginal physical product. With the help of assumed data represent graphically. [8+8]
3. Sales are Rs.1,10,000 yielding a profit of Rs.4,000 in period-I Sales are Rs.1,50,000 with a profit of Rs.12,000 in period-II. Determine BEP and fixed Expenses. [16]
4. Define Markets? Elaborate how differently are markets classified? [4+12]
5. Write a short notes on
 - (a) Departmental undertaking
 - (b) Government company
 - (c) Public corporation. [5+6+5]
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. Prepare a Trial Balance from the following data for the year 2003.

	Rs		Rs
Free hold property	10,800	Discount received	150
Capital	40,000	Returns inward	1,590
Return outwards	2,520	Office expenses	5,100
Sales	80,410	Bad debts	1,310
Purchases	67,350	Carriages outwards	1,590
Depreciation of furniture	1,200	Carriage inwards	1,450
Insurance	3,300	Salaries	4,950
Stock (1-1-2003)	14,360	Book debts	11,070
Creditors for Expenses	400	Cash at bank	2,610
Creditors	4,700		

[16]

8. Write a brief note on the importance of ratio analysis to different category of users.

[16]

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1. (a) Define income - elasticity of demand. How does income - elasticity differ from price elasticity of demand?
(b) How is cross elasticity of demand computed? [4+4+6]
2. Explain the following
(a) Internal Economies
(b) External Economies. [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. [4×4]
4. Explain how an individual firm attains equilibrium in the short run and in the long run under conditions of Perfect Competition. [16]
5. Write a short notes on
(a) Departmental undertaking
(b) Government company
(c) Public corporation. [5+6+5]
6. (a) Describe the institutions providing long term finances.
(b) What are the different market situations in imperfect competition? [8+8]

7. Journalise the following transactions and post them to ledger. [16]

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

8. Write a brief note on the importance of ratio analysis to different category of users.

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1. (a) Define income - elasticity of demand. How does income - elasticity differ from price elasticity of demand?
(b) How is cross elasticity of demand computed? [4+4+6]
2. Explain and illustrate the following: and also mention why do they arise
(a) The Law of constant Returns.
(b) The Law of increasing Returns. [8+8]
3. What cost concepts are mainly used for managerial decisions? Illustrate. [6+10]
4. Define Markets? Elaborate how differently are markets classified? [4+12]
5. Write short notes on:
(a) Public company
(b) Government company.
(c) Private company.
(d) Partnership deed. [4×4]
6. Explain the factors influencing the requirements of working capital. [16]
7. From the following Trial Balance and adjustments of Suresh, Prepare Trading and Profit and Loss Account for the year ending 30th June, 2002 and a Balance sheet as on that date.

	Debit Rs.	Credit Rs.
Purchases	1,77,700	
Discount	13,000	
Wages	65,000	
Sales		3,00,000
Travelling expenses	5,000	
Carriage	2,750	
Insurance	1,500	
Commission	3,250	
Rent and rates	5,000	
Cash in hand	2,500	
Cash at bank	27,250	
General expenses	2,500	
Repairs	1,050	
Mortgage		30,500
Mortgage interest	1,500	
Buildings	60,000	
Opening stock	57,500	
Capital		1,06,500
Debtors	32,500	
Creditors	55	21,000
	4,58,000	4,58,000

Adjust the following:

- (a) Closing stock Rs. 30,000
 - (b) Write off depreciation on buildings @ 20% per annum.
 - (c) Rent and rates paid in advance. Rs.200. [16]
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	[16]

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