

II B.Tech I Semester Regular Examinations, November 2006
MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
(Common to Civil Engineering and Metallurgy & Material Technology)
Time: 3 hours **Max Marks: 80**

Answer any FIVE Questions
All Questions carry equal marks

1. State the Law of Demand. What are the various factors that determine the demand for a mobile phone? [16]
2. What is meant by Elasticity of demand. What are the factors that determine the elasticity demand? [16]
3. (a) Discuss the benefits and limitations of Break even Analysis. [8]
 (b) With assumed data, illustrate the following:
 - i. Breakeven output and sales value
 - ii. Margin of safety
 - iii. P/v ratio
 - iv. Output to achieve targeted profit [8]
4. (a) What are the salient features of Monopoly?
 (b) In what different aspects monopoly is distinct from perfect competition. [8+8]
5. What are the pros and cons of privatisation ? [16]
6. What do you understand by working capital ? Explain the various factors influencing working capital requirements [16]
7. Explain the following concepts and illustrate their treatment with imaginary data. [16]
 - (a) Depreciation
 - (b) Prepaid expenses
 - (c) Reserve for bad and doubtful debts
 - (d) Income received in advance
8. (a) From the following information, calculate [16]
 - i. Debt Equity ratio
 - ii. Current ratio

	Rs.		Rs.
Debentures	1,40,000	Bank balance	30,000
Long term loans	70,000	Sundry Debtors	70,000
General reserve	40,000		
Creditors	66,000		
Bills payable	14,000		
Share capital	1,20,000		

(b) Calculate Amounts receivables Turnover ratio form the following information.

	Rs.
Net profit after deducting interest and taxes	6,00,000
12% Debentures of the face value of	15,00,000
Amount provided towards taxation	1,20,000

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1. What is Managerial Economics. Explain its focus areas. [16]
2. What are the needs for demand forecasting. Explain the various steps involved in demand forecasting. [16]
3. (a) Distinguish between the following:
 - i. Average cost and Marginal cost
 - ii. Explicit cost and implicit cost
 - iii. Short run Average cost and Long run Average cost
 - iv. Variable cost and semi variable cost [4 × 2]
 (b) Diagrammatically represent the relationship between Average Fixed Cost, Average variable cost, Unit cost and Marginal cost. [8]
4. (a) Define Market and explain how markets are classified?
 (b) What are the important features in any market structure? [12+4]
5. What are the different types of companies and distinguish between private and public company. [16]
6. Explain the right procedure for a capital budgeting decision [16]
7. The following trial balance belongs to Bala Krishna as on 31st December 2004. Prepare a trading, profit and loss account and balance sheet. [16]

	Debit Rs.	CreditRs.
Purchases and Sales	1,65,625	2,56,650
Sales returns and Purchase returns	4,250	2,120
Sundry debtors & Creditors	40,200	30,720
Bills receivable and Bills payable	26,720	20,625
Opening stock	1,20,500	
Wages	35,000	
Fuel and power	10,500	
Postage and stationery	5,750	
Trade expenses	7,500	
Interest received		9,500
Bad debts	4,500	
Drawings and capital	10,000	1,10,930
	4,30,545	4,30,545

Adjustments

- (a) Closing stock was valued at Rs.95,000
 (b) Wages were outstanding by Rs. 5,000
 (c) Outstanding interest receivable Rs.500
8. (a) From the following information, calculate [16]
 i. Debt Equity ratio
 ii. Current ratio

	Rs.		Rs.
Debentures	1,40,000	Bank balance	30,000
Long term loans	70,000	Sundry Debtors	70,000
General reserve	40,000		
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- (b) Calculate Amounts receivables Turnover ratio form the following information.

	Rs.
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1. Managerial Economics is the study of allocation of resources available to a firm or other unit of management among the activities of that unit. Explain. [16]
2. (a) What do you understand by Elasticity of demand. How is it classified.
 (b) Determine price elasticity of demand given that the quantity demanded of a product is 1000 units when the price is Rs. 100 and when the price declines to Rs.90, demand increases to 1500 units. [8+8]
3. Define production function. How is it helpful while taking output decisions? [16]
4. (a) Define Market and explain how markets are classified?
 (b) What are the important features in any market structure? [12+4]
5. Explain the features of sole trader form of organization. Discuss the merits and demerits of sole trader form of organization [16]
6. Explain the concept of capital budgeting and what is its practical utility ? [16]
7. The following are the closing balances extracted from the books of Bhargav for the year ending 31st December 2004 with the help of which prepare Trading Account, Profit and Loss A/c and Balance Sheet. [16]

Debit balances	Rs.	Credit Balances	Rs.
Opening stock	6,050	Sales	13,720
Purchases	9,030	Purchases returns	130
Carriage	220	Capital	3,000
Drawings	450	Creditors	4,500
Investments	3,800	Discounts received	350
Debtors	2,500	Mortgage loan	4,000
Cash	1,350		
Printing charges	1,200		
Wages	1,100		
	25,700		25,700

- (a) Closing stock was valued at Rs.16,000
- (b) Wages outstanding by Rs.900
- (c) Outstanding discounts receivable Rs.150
- (d) Write off bad debts Rs. 500

(e) Create a Reserve for Bad and doubtful debts Rs. 500

8. What are the limitations of financial analysis? Discuss briefly. [16]

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1. What is Managerial Economics. Explain its focus areas. [16]
2. What are the needs for demand forecasting. Explain the various steps involved in demand forecasting. [16]
3. (a) Discuss the role and importance of cost analysis in managerial decisions.
 (b) How does the average cost vary during short run and long run periods? [8+8]
4. (a) What are the principal differences between monopoly and perfect competition?
 (b) Supplement your answer with appropriate diagrams in both the cases. [8+8]
5. Write short note on the following. [4×4]
 - (a) Limited Liability
 - (b) Public and Private Companies
 - (c) Memorandum of Association
 - (d) Govt. Company
6. The cost sheet of a company provides the following particulars [16]

Elements of cost	Amount per Unit (Rs)
Raw material	80
Labour	30
Over heads	60
Total Cost	170
Profit	30
Selling price	200

The following further particular are available

Raw materials are in stock - For one month

Materials are in process - For half a month

Finished goods are in stock - For one month

Credit allowed by creditors - One month

credit allowed to debtors - Two months

Lag in payment of wages - $1\frac{1}{2}$ weeks

Lag in payment of over heads - One month

of the out put is sold against cash Cash in hand is expected to be Rs 25,000/-
you are required to prepare statement of working capital needed to finance a level of activity of 1,04,000 units of production.(A time period of 4 weeks is equivalent to a month and for an year 52 weeks).

7. The following are the particulars of Ledger Account balances taken from the books of Bhaskar for the year ending 31st March 2005. You are required to prepare the Trading and profit and Loss A/c and Balance sheet. [16]

	Rs.	Rs.
Bills receivable and Bills payable	4,00,000	7,00,000
Debtors and Creditors	75,000	50,000
Cash on hand	15,000	
Cash at bank	25,000	
Business premises	2,50,000	
Loans payable		25,000
Opening stock	40,000	
Purchases and purchase returns	60,000	8,000
Sales returns and sales	37,000	2,75,000
Wages	35,000	
Salaries	65,000	
Rent, Taxes and Insurance	15,000	
Depreciation	5,000	
Furniture	78,000	
Advertisement	58,000	
Capital		1,00,000
	11,58,000	11,58,000

Adjustments:

- (a) Closing stock was valued at Rs. 80,000
 - (b) Write off Bad Debts of Rs.5 ,000 out of sundry debtors
 - (c) Prepaid insurance amounted Rs.1,000
8. With the following financial data, compute [16]
- (a) Current ratio
 - (b) Quick ratio
 - (c) Stock- Turnover ratio and

(d) Gross profit ratio

	Rs.		Rs.
Opening stock	1,00,000	Cash on hand	3,00,000
Closing stock	2,00,000	Debtors	4,00,000
Purchases	5,45,000	Sundry creditors	3,00,000
Wages	15,000	Bills payable	2,50,000
Administrative expenses	40,000	Bank credit	2,50,000
Selling & Distribution expenses	2,40,000		
Sales	10,00,000		
