

III B.Tech I Semester Regular Examinations, November 2006
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. Explain briefly the following methods of forecasting demand.
 - (a) Barometric method
 - (b) Expert opinion method
 - (c) Time series analysis
 - (d) End user method [4×4]
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. If actual sales are 10,000 units and selling price is Rs.20 per unit, variable cost Rs.10 per unit and fixed cost is Rs.80,000 find out BEP in units and in sales revenue. What is profit earned? What should be the sales required for earning a profit of Rs.60,000? [5+5+6]
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. What do you understand by working capital cycle and what is its importance? [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]

Code No: RR310106

Set No. 1

8. Write a brief note on the importance of ratio analysis to different category of users.
[16]

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1. Explain briefly the following methods of forecasting demand.
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 - (b) Expert opinion method
 - (c) Time series analysis
 - (d) End user method [4×4]
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. A company prepares a budget to produce 3 lakh units, with fixed costs as Rs.15 lakhs and average variable cost of Rs.10 each . The selling price is to yield 20% profit on cost. you are required to calculate
 - (a) P/V ratio.
 - (b) Break even point. [8+8]
4. Define Markets? Elaborate how differently are markets classified? [4+12]
5. Discuss the features of company type of Business Organisation. [16]
6. Define 'Accounting rate of return' 'and Pay back period method'? Compare and contrast the two. Illustrate with assumed data. [16]
7. From the following Trial Balance of Vikram Foundry Works, prepare Trading Account and Profit and Loss Account for the year ending 31st March 2003. Also prepare a Balance Sheet as on that date.

Trial Balance

Dr	Rs	Cr	Rs
Electricity	12,000	Interest	14,000
Land	1,40,000	Discount	6,000
Interest	16,000	Sales	8,00,000
Wages	50,000	Returns	10,000
Opening Stock	20,000	Sundry creditors	60,000
Rent	24,000	Capital	3,02,000
Office expenses	30,000	Bills payable	15,000
Buildings	4,00,000		
Salaries	90,000		
Power, gas and water	30,000		
Returns	20,000		
Furniture	15,000		
Sundry debtors	60,000		

Adjustments:

- (a) Outstanding salaries Rs.10,000
- (b) Closing stock Rs. 80,000
- (c) Depreciate building at 10 per cent per annum
- (d) Interest received in advances Rs. 2,000. [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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1. What is demand analysis? Explain the different factors that influence the demand for a product [6+10]
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. (a) What is meant by Break-Even Analysis? Explain the uses and limitations of BEP.
(b) Appraise the usefulness of Break-Even Analysis for a multi product organization. [10+6]
4. What is Price discrimination? Discuss the different ways of Price discrimination. [6+10]
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. 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.
Loans Receivable and Amts Payable	64,000	84,000
Stock (1.10.2002)	44,000	
Cash in hand	70	
Cash in bank	3,090	
Plant and machinery	35,000	
Sundry creditors		21,300
Trade expenses	2,150	
Sales		2,69,000
Salaries	4,450	
Carriages outwards	800	
Rent	1,800	
Purchases	7,500	
Discounts	2,940	
Business premises	3,00,000	
Capital (1.10.2001)		1,59,000
	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. [16]

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) **Acid Test ratio**
- (c) Stock turnover ratio. Also interpret the results. [5+5+6]

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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 are the components in a 'break even chart'? How is it prepared ? What are the assumptions for adopting 'Break even theory'? [5+5+6]
4. Define Markets? Elaborate how differently are markets classified? [4+12]
5. Discuss the factors that help in choosing a suitable form of Business Organization in private, and public sector. [16]
6. A firm has many projects. It wants to earn at least 6 percent per annum on this project with the following cash flows. Do you recommend ?

Year end	0	1	2	3	4	5	6
Cash inflow(Rs)		10,000	30,000	40,000	40,000	40,000	50,000
Cash outflow(Rs)		1,00,000					

[16]

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. The following are the extracts from the financial statements of Blue and Red Ltd., as on 31st March 2001 and 2002 respectively.

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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) **Acid Test ratio**
- (c) Stock turnover ratio. Also interpret the results. [5+5+6]
