

III B.Tech I Semester Supplementary Examinations, November 2006
MANAGERIAL ECONOMICS AND PRINCIPLES OF ACCOUNTANCY
 (Common to Civil Engineering, Mechanical Engineering, Chemical
 Engineering, Mechatronics, Computer Science & Systems Engineering,
 Metallurgy & Material Technology and Production Engineering)
Time: 3 hours **Max Marks: 80**

Answer any FIVE Questions
All Questions carry equal marks

1. What are the contributions and limitations of economic analysis to business decision making? [8+8]
2. What is meant by elasticity of demand? Explain giving a suitable illustration, how elasticity of demand determines the price policy of a firm. [4+4+4+4]
3. Explain the following with reference to production function,
 - (a) Substitutability of factors
 - (b) Variable proportions of factors[8+8]
4. The PV ration of Matrix Books Ltd, is 40% and the margin of safety is 30%. You are required to work out the BEP and Net Profit, is the sales volume is Rs. 14,000. [8+4+4]
5. A company is at hand two proposals for consideration (M and N). The cost of the proposals in both the cases is Rs. 5,00,000 each. A discount factor of 12 % may be used to evaluate the proposals. Cash inflows after taxes are as under.

Year	Proposal M Rs.	Proposal N Rs.
1	1,50,000	50,000
2	2,00,000	1,50,000
3	2,50,000	2,00,000
4	1,50,000	3,00,000
5	1,00,000	2,00,000

Which one will you recommend under Present Value method? [16]

6. Distinguish between perfect and imperfect markets. [8+8]
7. Compare and contrast the Partnership business and sole trading business. [8+8]
8. Who are the users of financial statements of a business unit and explain how differently they interpret the financial data? [8+8]
