

III B.Tech I Semester Regular Examinations, November 2006
MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
(Automobile Engineering)

Time: 3 hours**Max Marks: 80**

Answer any FIVE Questions
All Questions carry equal marks

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1. Define Managerial Economics. Explain its nature and scope. [16]
2. What are the needs for demand forecasting. Explain the various steps involved in demand forecasting. [16]
3. The following information is obtained from the records of a factory:
 Sales (4000 units @ Rs.25 each) Rs.100000
 Variable Cost in Rs. 72000
 Fixed Expenses in Rs. 16800
 Calculate:
 (a) P/V Ratio,
 (b) Break-Even Point in Rupees,
 (c) Margin of Safety
 (d) It is proposed to reduce the selling price by 20%. What extra units should be sold to obtain the same amount of profit? [16]
4. (a) What are the causes for the emergence of Monopoly?
 (b) Elaborate how price output decisions can be taken by a monopolist. [6+10]
5. What are the differences between a partnership business and company form of organization ? [16]
6. Examine the following 3 project proposals and evaluate them based on
 (a) PBP Method
 (b) ARR Method. (ARR on original investment)

Initial Investment is Rs. 10,00,000/- each for all the three projects

Year	Cash inflows (Rs.)		
	Project-A	Project-B	Project-C
1.	5,00,000	6,00,000	2,00,000
2	5,00,000	2,00,000	2,00,000
3.	2,00,000	2,00,000	6,00,000
4	-	3,00,000	4,00,000

7. Give a brief account on the important records of Accounting under Double entry system and discuss briefly the scope of each. [16]
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		

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1. Define Managerial Economics. Explain its nature and scope. [16]
2. Explain Income Elasticity of demand and its significance in making business decisions. [16]
3. Answer briefly the following and also use necessary diagrams.
 - (a) Law of variable proportions
 - (b) Laws of returns in production [8+8]
4. (a) Define Market and explain how markets are classified?
 (b) What are the important features in any market structure? [12+4]
5. (a) What are the characteristics of a business unit ?
 (b) What are the characteristic features of a sole trader form of organization ? [8+8]
6. Calculate the Net present value (NPV) of the two projects X and Y. Suggest which of the two projects should be accepted assuming a discount rate of 10%. [16]

Item	Project - A	Project B
Initial Investment	Rs. 80,000-00	Rs. 1,20,000-00
Life Period	5 Years	5 Years
Scrap value	Rs. 4000-00	Rs. 8000-00
<u>Annual cash inflows)</u>		
Year : 1	24,000-00	70,000-00
2	36,000-00	50,000-00
3	14,000-00	24,000-00
4	10,000-00	8,000-00
5	8,000-00	8,000-00

7. (a) How can you make use of data available in the trial balance for finalizing accounts?
 (b) Explain the procedure to be followed while preparing Trading Account, Profit and Loss Account and Balance Sheet with the help of a trial balance. [8+8]
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
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1. Define Managerial Economics. Explain its nature and scope. [16]
2. Explain the concept cross elasticity of demand illustrate your answer with suitable examples. How is different from price elasticity of demand? [16]
3. (a) What is a production function and explain its importance.
(b) Briefly explain Cobb-Douglas production function and its significance. [8+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 factors that affect the choice and form of a business organization? [16]
6. What are the merits and limitations of pay back method ? How the discounting approach overcome the limitations of pay back method ? [16]
7. Give a brief account on the important records of Accounting under Double entry system and discuss briefly the scope of each. [16]
8. Discuss the importance of Ratio Analysis for inter firm and intra-firm comparison, including circumstances responsible for its limitations, if any. [16]

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1. Define 'Demand' and explain the factors that influence the demand of product. [16]
2. What is meant by Elasticity of demand. What are the factors that determine the elasticity demand? [16]
3. (a) What is a production function and explain its importance.
(b) Briefly explain Cobb-Douglas production function and its significance. [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. Analyze the factors that help in choosing a suitable form of business organization in public and private sectors. [16]
6. Explain different types of working capital. [16]
7. Explain the following adjustments and illustrate suitably with assumed data. [16]
 - (a) Closing stock
 - (b) outstanding expenses
 - (c) Prepaid Income
 - (d) Bad debts
8. State the significance of each of the following ratios and turnovers and tell how each one is calculated
 - (a) Current ratio
 - (b) Debtor-Turnover ratio
 - (c) P/E ratio and
 - (d) Earnings per share. [16]
