

II B.Tech II Semester Regular Examinations, Apr/May 2008
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
 (Common to Electrical & Electronic Engineering, Electronics &
 Instrumentation Engineering, Bio-Medical Engineering, Electronics &
 Control Engineering, Mechatronics and Bio-Technology)

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

Answer any FIVE Questions
All Questions carry equal marks

1. Managerial Economics is the application of Economic Theory to business management. Discuss. [16]
2. What are the needs for demand forecasting. Explain the various steps involved in demand forecasting. [16]
3. Explain in detail the three stage production function and also represent diagrammatically. [16]
4. (a) Define Market and explain how markets are classified?
 (b) What are the important features in any market structure? [12+4]
5. Discuss about the short-comings of the public sector enterprises in India and what is their future? [16]
6. Compare and contrast the NPV and ARR methods of evaluating investment proposals and illustrate. [16]
7. The following trial balance belongs to Amzad Khan with the help of which prepare trading and profit and loss A/c and balance sheet. [16]

	Dr.	Cr.
Drawing and capital	18,000	1,00,000
Furniture	32,500	
Equipment	15,000	
Loan payable		15,000
Interest on loan	900	
Sales		1,00,000
Purchases	75,000	
Opening stock(1.1.05)	25,000	
Trade expenses	15,000	
Wages	2,000	
Insurance	1,000	
Commission received		4,500
Sundry debtors	28,100	
Cash at bank	20,000	
Sundry creditors		10,000
Interest received		3,000
	2,32,500	2,32,500

Adjustments:

- (a) Closing stock as on 31st December 2005, was valued at Rs.60,000
- (b) Wages were outstanding by Rs.500
- (c) Provide depreciation @ 10% on furniture.

8. State the significance of each of the following ratios and turnovers and explain how each one is calculated

- (a) Current ratio
- (b) Debtor-Turnover ratio
- (c) P/E ratio and
- (d) Earnings per share.

[16]

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1. Managerial Economics is the application of Economic Theory to business management. Discuss. [16]
2. What is meant by Elasticity of demand. How is it useful for a managerial economist in decision making? [16]
3. (a) "To reach Breach even position means to reach zero point" In the light of the above statement explain how output, cost and revenue relationship can be established.
(b) What are its limitations?
(c) Use suitable diagrams. [8+4+4]
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. The Proforma cost sheet of a company provides the following particulars. [16]
Elements of Cost
Material - 40%
Labour - 20%
Overheads - 20%
The following further particulars are available
(a) Proposed level of activity - 2,00,000 Units
(b) Selling Price - Rs. 12/- per unit
(c) Raw material stocks - One month
(d) Work in Process - 1/2 month
(e) Finished goods stock holding - 1 month
(f) Credit allowed to debtors - 2 months
(g) Credit allowed by creditors - one month

You are required to prepare a statement of working capital requirement.

7. The following balances were taken from the books of Balaram with the help of which prepare Trading, Profit & Loss A/c for the year ending 31st March 2005 and the Balance sheet. [16]

	Debit	Credit
Opening stock	4,500	
Purchases	25,000	
Wages	2,500	
Salaries	2,000	
Postage	200	
Drawings	2,800	
Debtors	2,000	
Buildings	7,500	
Furniture	4,000	
Sales		30,000
Capital		16,500
Creditors		3,300
Interest received		700
	50,500	50,500

Adjustments:

- (a) Closing stock was valued at Rs.10,000
 - (b) Wages were outstanding by Rs.500
 - (c) Interest received in advance amounted Rs. 200 out of the given balance.
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 Interest Coverage ratio from 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. Write briefly on the following: [16]
 - (a) Giffin's paradox
 - (b) Demand schedule
 - (c) Income effect
 - (d) Joint demand.
2. What is meant by Elasticity of demand. How do you measure it? [16]
3. (a) Discuss the law of variable proportions and also represent the same diagrammatically.
(b) What are the assumptions for the application of law of variable proportions. [8+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 reasons for introducing company form of organizations and what are its merits and limitations? [16]
6. What is meant by discounting and time value of money? How is it useful in capital budgeting? [16]
7. The trial balance of Bharat is given below. Prepare the Trading and Profit & Loss A/c for the year ending 31st December, 2005 and Balance sheet as on that date. [16]

	Debit. Rs	Credit. Rs.
Drawings and Capital	10,550	1,19,400
Plant & Machinery	38,300	
Sundry debtors and creditors	62,000	59,360
Wages	43,750	
Purchases and Sales	2,56,590	3,56,430
Opening stock	95,300	
Salaries	12,880	
Insurance	930	
Cash at bank	18,970	
Interest on loan	14,370	
Discounts allowed	4,870	
Furniture	12,590	
Loan payable		79,630
Furniture	43,990	
	6,15,090	6,15,090

Closing stock was valued at Rs.90,000.

8. Explain in detail how the following ratios are calculated and also the purpose of their computation. [16]
- (a) Current ratios
 - (b) Turnover ratios
 - (c) Solvency ratios
 - (d) Profitability ratios.

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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. (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) What are the features of monopolistic competitions?
 (b) Explain the differences between monopolistic competition and perfect competition. [8+8]
5. "In the changing business environment the public sector enterprises should follow the principles of business" Is it true? [16]
6. What are the components of working capital? Explain each of them. [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. (a) From the following information, calculate [16]
 - i. Debt Equity ratio
 - ii. Current ratio

	Rs.		Rs.
Debentures	1,40,000	Bank balance	30,000
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(b) Calculate Interest Coverage ratio from the following information.

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