

**II B.Tech I Semester Supplementary Examinations, February 2008**  
**MANAGERIAL ECONOMICS AND 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**

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1. Managerial Economics is the application of Economic Theory to business management. Discuss. [16]
2. What are the various methods of demand forecasting. Evaluate various survey-based demand forecasting methods. [16]
3. Define production function. How is it helpful while taking output decisions? [16]
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. Define a Joint stock company and explain its basic features. [16]
6. (a) What is the need for capital budgeting?  
 (b) How do the discounting models overcome the limitations of non-discounting models? [6+10]
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. (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. What is Managerial Economics? Explain its focus areas. [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. (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 salient features of Monopoly?  
 (b) In what different aspects monopoly is distinct from perfect competition. [8+8]
5. What are the factors that affect the choice and form of a business organization? [16]
6. Explain different types of working capital. [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
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1. State the Law of Demand. What are the various factors that determine the demand for a mobile phone? [16]
2. What are the various methods of demand forecasting. Evaluate various survey-based demand forecasting methods. [16]
3. (a) What do you understand by 'Law of increasing Returns?' What causes make increasing returns operate? [10]  
 (b) When do you notice 'constant returns' arising? [3]  
 (c) Do diminishing returns apply only for agriculture or any other fields? [3]
4. (a) What are the circumstances under which monopoly situation can emerge?  
 (b) 'The monopolist always enjoys economic profits, rather than normal profits. Substantiate. [8+8]
5. What are the objectives behind starting public sector enterprises in the country? To what extent have they fulfilled these objectives. [16]
6. Enumerate briefly the major steps 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

Code No: R059210102

**Set No. 3**

Closing stock was valued at Rs.90,000.

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. Explain the role of a Managerial Economist in a Business firm. [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 do you understand by 'Price discrimination' and on what basis price can be discriminated?  
(b) Do you notice any benefit of price discrimination. [10+6]
5. (a) What are the different types of business organizations?  
(b) What are the differences between proprietary and partnership business organizations? [8+8]
6. Are there any considerations other than profitability to be made in managerial decisions about investment proposals? Explain them. [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]
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