Code No: 43221/43222 **R07** **Set No - 3**

II B.Tech I Semester Regular Examinations,Nov/Dec 2009
MANAGERIAL ECONIMICS AND FINANCIAL ANALYSIS
Common to Information Technology, Computer Science And Engineering, Computer Science And Systems Engineering

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

Answer any FIVE Questions
All Questions carry equal marks

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1. The following details are taken from the balance sheet of Mitra Financiers Ltd.

Current Assets	Rs.	Current Liabilities	Rs.
Cash	40,000	Accounts payable	75,000
Govt. Securities	20,000	Accrued taxes	30,000
Amounts receivable	1,10,000	Current liabilities	40,000
Inventories	1,50,000		

   Compute :

   (a) Current ratio
   (b) Acid test ratio . [16]

2. What is pricing? Discuss procedure for establishing initial prices. [16]

3. What do you mean by return to scale? Explain the different stages of returns to scale with the help of isoquants. [16]

4. What is the need for public enterprises? Explain the recent achievement of public enterprises. [16]

5. Analyse the relationship of Managerial Economics with other disciplines. [16]

6. Journalise the following transactions and post them to ledger:

   (a) Ram invests Rs.10,000 in cash
   (b) He bought goods worth Rs.2,000 from Shyam
   (c) He bought a machine for Rs.5,000 from Lakshman on account
   (d) He paid to Lakshman Rs.2,000
   (e) He sold goods for cash Rs.3,000
   (f) He sold goods to A on account Rs. 4,000
   (g) He paid to Shyam Rs.1,000
   (h) He received amount from A Rs.2,000. [16]

7. Elucidate about the various methods of forecasting demand along with their relative merits and demerits. [16]

8. The Alpha Co.Ltd., is considering the purchase of a new machine. Two alternative machines (A and B) have been suggested, each having an initial cost of Rs.4,00,000 and requiring Rs.20,000 as additional working capital at the end of Ist year. Earnings after taxation are expected to be as follows:

Year	Machine 'A' (Rs.)	Machine 'B' (Rs.)
1	40,000	120000
2	120000	160000
3	160000	200000
4	240000	120000
5	1,60,000	80000

The company has a target of return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative you consider as financially preferable under NPV method. [16]

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