

**III B. Tech I Semester Regular Examinations, November - 2015**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
 (Common to EEE, AME and MINE)

Time: 3 hours

Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B**)  
 2. Answering the question in **Part-A** is compulsory  
 3. Answer any **THREE** Questions from **Part-B**

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**PART -A**

- 1 a) What is Income Demand? How do you determine it? [3M]
- b) What do you mean by Opportunity Cost? Give examples. [4M]
- c) Explain Monopoly competition. [4M]
- d) What is the difference between Partnership and Sole trade? [3M]
- e) What do you mean by Journal? Explain. [4M]
- f) Write a short note on Capital and types of capital. [4M]

**PART -B**

- 2 a) What is Law of Demand? What are its assumptions? [8M]
- b) Describe any four methods of Demand forecasting. [8M]
- 3 a) Explain the internal and external economics of large scale. [8M]
- b) From the following information, calculate Break Even Sales in terms of value and volume. [8M]

	<b>Rs.</b>
Sales	10,00,000
Units sold	5,000
Variable cost / unit	100
Fixed Cost	2,00,000

- 4 a) What is Perfect Competition? Describe its features. [8M]
- b) Explain Market Skimming Pricing. [8M]
- 5 a) Discuss the salient features of a Joint Stock Company and its merits. [8M]
- b) Illustrate the different phases in Business Cycles. [8M]
- 6 a) Define Capital budgeting. Explain its importance. [8M]
- b) Explain briefly Net Present Value technique of capital budgeting. [8M]

- 7 Prepare final accounts for Munni Lal for the year ended 31<sup>st</sup> March 2012 form the following Trial Balance. [16M]

<u>Account</u>	<u>Debit (Rs.)</u>	<u>Credit (Rs.)</u>
Cash in hand	10,000	
Purchases	2,00,000	
Sales		3,10,000
Returns Inward	5,000	
Returns outward		10,000
Wages	8,000	
Power	2,000	
Factory Rent	5,000	
Opening Stock	10,000	
Buildings	50,000	
Land	70,000	
Machinery	40,000	
Patents	5,000	
Salaries	8,000	
General Expenses	2,000	
Insurance	3,000	
Drawings	8,000	
Capital		95,000
Debtors		4,000
Creditors		15,000
<b>Total:</b>	<b>4,30,000</b>	<b>4,30,000</b>

**Adjustments:**

1. Closing Stock Rs. 10,000
2. Depreciate machinery, buildings and patents at 10% p.a
3. Outstanding salaries Rs. 3,000
4. Prepaid insurance Rs. 300
5. Wages outstanding Rs. 1,000.

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**PART -A**

- |   |  |      |
|---|--|------|
| 1 | a) What are the Determinants of Demand?      | [3M] |
|   | b) Explain about Production Function.        | [4M] |
|   | c) What is Monopolistic Competition?         | [4M] |
|   | d) What do you mean by Unlimited Liability?  | [3M] |
|   | e) What do you understand by Ledger?         | [4M] |
|   | f) What is Net Present Value (NPV)? Explain. | [4M] |

**PART -B**

- |   |  |      |
|---|--|------|
| 2 | a) Define Managerial Economics and discuss its scope.                                  | [8M] |
|   | b) Illustrate the types of Elasticity of Demand.                                       | [8M] |
| 3 | a) Explain the Law of Variable proportions.  | [8M] |
|   | b) Describe Break-Even Point with the help of diagram and its uses in decision making. | [8M] |
| 4 | a) What is Monopoly? State its features.   | [8M] |
|   | b) Examine some of the Internet pricing methods used today.                            | [8M] |
| 5 | a) Examine the merits and demerits of Partnership.                                     | [8M] |
|   | b) What do you understand by Business Cycles? What are its causes?                     | [8M] |
| 6 | a) What is Capital budgeting? What is its significance?                                | [8M] |
|   | b) Discuss Pay Back Period of capital budgeting.                                       | [8M] |

- 7 The following Trial balance was extracted from the books of M/S M.S. Bros. on March 31, 2003. You are required to prepare a Trading account and Profit and Loss account for the year ended March 31, 2003 and a Balance sheet as on that date. The closing stock amounted to Rs. 14,220. [16M]

Particulars	Debit (Rs.)	Credit (Rs.)
Debtors	12,000	
Creditors		7,900
Capital		30,000
Drawings	2,900	
Rent and Rates	250	
Trade expenses	670	
Purchases	8,640	
Sales		14,290
Returns Outwards		280
Returns Inwards	190	
Carriage Inwards	250	
Wages	2,920	
Salaries	1,200	
Stock (April 1 <sup>st</sup> 2002)	3,100	
Discount received		240
Discount allowed	180	
Bad Debts	200	
Plant and Machinery	2,510	
Furniture and Fittings	1,800	
Cash in hand	500	
Cash at Bank	15,400	
<b>Total:</b>	<b>52,710</b>	<b>52,710</b>

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**PART -A**

- |   |    |  |      |
|---|----|--|------|
| 1 | a) | Define Demand, explain the types of Demand.                    | [3M] |
|   | b) | What do you mean by Imputed Costs?                             | [4M] |
|   | c) | Explain about Perfect Competition.                             | [4M] |
|   | d) | Explain about Private Ltd Company.                             | [3M] |
|   | e) | Write notes on Trial Balance.                                  | [4M] |
|   | f) | What is Accounting Rate of Return (ARR)? How it is calculated? | [4M] |

**PART -B**

- |   |    |   |      |
|---|----|---|------|
| 2 | a) | Define Demand. What are the determinants of demand?                 | [8M] |
|   | b) | Explain the different types of Price elasticity.                    | [8M] |
| 3 | a) | Explain Fixed Costs and Variable Costs with examples.               | [8M] |
|   | b) | Discuss the managerial uses of Break-Even analysis.                 | [8M] |
| 4 | a) | What are the features of Monopolistic competition?                  | [8M] |
|   | b) | Explain Transaction based pricing and Priority pricing.             | [8M] |
| 5 | a) | State the features merits and demerits of Sole Trade.               | [8M] |
|   | b) | What are Business Cycles?   | [8M] |
| 6 | a) | Explain the importance of Capital budgeting in financial decisions. | [8M] |
|   | b) | Why are the Traditional methods of capital budgeting still popular? | [8M] |

- 7 From the following Trial balance of Giri Traders, prepare final accounts for the year ended 31-12-2013. [16M]

<b>Particulars</b>	<b>Debit (Rs.)</b>	<b>Credit (Rs.)</b>
Capital		3,00,000
Cash	5,000	
Purchases	19,000	
Purchases returns		500
Sales		20,000
Wages	1,000	
Salaries	800	
Factory Insurance	200	
Rent	650	
Carriage	150	
Office expenses	200	
Carriage outwards	200	
Machinery	8,000	
Furniture	6,000	
Discount allowed	250	
Discount received		1,500
Goodwill	3,550	
Opening Stock	1,500	
Debtors	8,500	
Creditors		3,000
<b>Total:</b>	<b>55,000</b>	<b>55,000</b>

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**PART -A**

- |   |  |      |
|---|--|------|
| 1 | a) Write a short note on Law of Demand.                                    | [3M] |
|   | b) What are Isoquants and Isocosts?  | [4M] |
|   | c) Write a short note on the features of Oligopoly.                        | [4M] |
|   | d) Explain the concept of Sole Trader and the limitations of sole trading. | [3M] |
|   | e) Write a short note on Liquidity Ratio.                                  | [4M] |
|   | f) Write a short note on internal Rate of Return (IRR).                    | [4M] |

**PART -B**

- |   |   |      |
|---|---|------|
| 2 | a) With the help of a diagram, show the Demand curve and explain why it slopes downwards.   | [8M] |
|   | b) Explain the quantitative methods used in Demand forecasting.   | [8M] |
| 3 | a) Explain the managerial uses of Production function.  | [8M] |
|   | b) Calculate the BEP in units and rupees using the following details:   | [8M] |
|   | • Selling price per unit Rs. 100  |      |
|   | • Variable cost per unit Rs. 60   |      |
|   | • Fixed costs Rs. 20,000  |      |
|   | • Actual sales Rs. 2,00,000   |      |
| 4 | a) How is price determined under Perfect competition?   | [8M] |
|   | b) State the conditions in which Market Skimming pricing can be followed.   | [8M] |
| 5 | a) Distinguish between Public Ltd Company and Private Ltd Company.  | [8M] |
|   | b) Discuss the causes of Business Cycles.   | [8M] |
| 6 | a) Illustrate Traditional Methods of capital budgeting.   | [8M] |
|   | b) The cost of a project is Rs. 2, 40,000 and the annual cash inflows for the next five years are Rs. 60,000. What is the Payback period for the project? | [8M] |

- 7 From the following balances, prepare Trading and Profit and Loss Account and Balance Sheet: [16M]

<b>Particulars</b>	<b>Debit (Rs.)</b>	<b>Credit (Rs.)</b>
Machinery	3,500	
Debtors	2,700	
Drawings	900	
Purchases	9,500	
Wages	5,000	
Bank	1,500	
Opening Stock	2,000	
Rent	450	
Sundry expenses	200	
Carriage	150	
Capital		10,000
Creditors		1,400
Sales		14,500

**Closing Stock was Rs. 300.**

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