

Code: 9AHS401

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II B. Tech II Semester (R09) Regular &amp; Supplementary Examinations, April/May 2012

**MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS**

(Common to EIE, E. Con. E &amp; ECE)

Time: 3 hours

Max Marks: 70

Answer any FIVE questions  
All questions carry equal marks

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- 1 (a) Define managerial economics. Explain its scope.  
(b) Distinguish between economics and managerial economics with suitable examples.
- 2 What do you understand by 'Elasticity of Demand'? What are the types of elasticity of demand?
- 3 What are the economies of scale? Explain different types of internal and external economies of scale.
- 4 Define market. Explain any four methods of pricing, based on strategy.
- 5 Define joint stock companies. Explain its features, advantages and limitations.
- 6 (a) What is the importance of capital?  
(b) What factors determine the working capital requirements of a company?
- 7 (a) Define accounting and explain its functions.  
(b) Explain classification of accounts with suitable examples.
- 8 Discuss the importance of ratio analysis for inter firm and intra-firm comparison, including circumstances responsible for its limitations, if any?

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- 1 With the following information compute:  
(a) Current ratio (b) Quick ratio (c) Stock turnover ratio (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	4,000	Bank credit	2,50,000
Selling and distribution expenses	2,40,000		
Sales	10,00,000		

- 2 (a) Define partnership and explain its silent features and limitations.  
(b) What are the qualities of a good partner?
- 3 Define 'Accounting Rate of Return' and Payback Period Method'? Compare and contrast the two. Illustrate with assumed data.
- 4 (a) Explain the main objectives of accounting and its important functions.  
(b) Define income statements, and explain its importance.
- 5 State and explain the law of demand. What are its exceptions?
- 6 Define elasticity of demand. Explain its types and significance.
- 7 Draw total product, average product and marginal product curves on your answer book. Explain how output changes with fixed capital and variable labour inputs.
- 8 Define market. Distinguish between perfect and imperfect markets.

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- 1 Define demand. What are its determinants and demand curve?
- 2 What are the steps in scientific approach to demand forecasting?
- 3 (a) Explain how you determine BEP through a graph.  
 (b) A lathe workshop owner uses 1500 units of certain spare part. He buys this from the market for Rs.250. The same can be manufactured in his workshop with a fixed cost of Rs.40,000 and a variable cost of Rs.500. Do you suggest him to make or buy from the market? It is possible that he can sell 5000 units of the same spare part to other lathe shops in the town.
- 4 What is a market? Explain, in brief, the different market structures.
- 5 'Small is beautiful'. Do you think this is the reason for the survival of the sole trader form of business organization? Support your answer with suitable example.
- 6 The cost of a project is Rs.50,000 and has an expected life of 5 years. The cash inflows for the five years are Rs.24,000, Rs.26,000, Rs.20,000, Rs.17,000, and Rs.16,000 respectively.  
 (a) Determine the payback period. (b) What is the accounting rate of return?
- 7 Journalize the following transaction in the books of Raja Shekhar:

2005		Rs.
Jan.1	Bought goods from Rao	5000
Jan.2	Sold goods for cash	1500
Jan.5	Sold goods to Murthy	3000
Jan.12	Bought goods for cash	7500
Jan.18	Bought furniture for cash	2000
Jan.20	Discount allowed	2500
Jan.24	Received from Murthy on account	1750
Jan.28	Paid Rao on account	2250
Jan.30	Paid salaries	1500
Jan.31	Paid landlord rent	450

- 8 What are the purpose and limitations of ratio analysis?

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- 1 One man control is the best in the world, if that one man is big enough to manage everything'. Explain the statement.
- 2 (a) Define capital budgeting. Explain its importance.  
(b) How is useful of payback period method? Explain its features and limitations.
- 3 The following is the balance sheet of Sri Anurag Enterprises as on 31<sup>st</sup> Dec 20007.

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share capital	2,00,000	Buildings	2,00,000
Reserve fund	50,000	Machinery	1,50,000
Profit balance	30,500	Stock on hand	1,00,000
Bank loan	1,50,000	Sundry debtors	60,000
Sundry creditors	70,000	Cash on hand	20,500
Provision for tax	30,000		
	5,30,000		5,30,000

You are required to comment on liquidity and solvency position of the concern.

- 4 (a) What is 'Journal Entry' and describes its importance in account books?  
(b) Explain the basic accounting concepts and convention, Give examples.
- 5 Elaborate the importance of managerial economics in decision making.
- 6 What do you understand by demand forecasting? What is the need for it?
- 7 Write short notes on any two of the following:  
a) Margin of safety (b) Assumptions of BEA (c) Contribution.
- 8 Define monopoly. How is price determined under monopoly?

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