

de No: 126EJ

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

B.Tech III Year II Semester Examinations, May - 2016

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common to ECE, CSE, MMT)

Time: 3 hours

Max. Marks: 75

**Note:** This question paper contains two parts A and B. Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

**PART - A****(25 Marks)**

- 1.a) What is a normative statement? [2]
- b) Differentiate complementary goods from the substitutes. [3]
- c) What are implicit costs? Give suitable examples. [2]
- d) How do average fixed cost per unit and average variable cost per unit vary with output level? [3]
- e) What is the minimum and maximum number of partners in a non banking partnership firm? [2]
- f) What is the basic difference between monopolistic condition and duopoly? [3]
- g) Define profitability index. [2]
- h) What items constitute current assets? Give suitable examples. [3]
- i) Define ROI. [2]
- j) Define any of the two activity-ratios and illustrate with assumed data. [3]

**PART - B****(50 Marks)**

- 2.a) What are the disadvantages of statistical techniques of demand forecasting?
  - b) What are the determinants of demand? [5+5]
- OR**
- 3.a) A consumer was viewing movie in multiplex 8 times in a year with his family when his annual income was Rs.5,00,000. When the income was raised to Rs.8, 00,000 on his promotion, the frequency of entertainment of his family on movies per year became 12 times. Calculate the income elasticity of demand of entertainment.
  - b) How does knowledge of managerial economics enable one to take better business decisions? [5+5]
- 4.a) How does marginal cost differ from average cost?
  - b) A company is selling a product at Rs.20 of which variable cost is Rs.2. The fixed overheads of the company amount to Rs.1,80,000. What is the break- even point? What is the turnover required to earn a profit of Rs.36, 000? [5+5]
- OR**
- 5.a) With the usual notation write the equation for Cobb-Douglas production function.
  - b) What are the internal economies of production? Explain each of them briefly. [3+7]
- 6.a) What are the forms of privatization?
  - b) Which are the two cost-based pricing methods? What are their limitations? [5+5]
- OR**
- 7.a) Compare perfect competition with monopoly.
  - b) What is partnership deed and mention its components? [6+4]

8.a) What factors influence the volume of working capital needed by an organization?

b) Explain the concept of working capital cycle.

OR

9. A corporation has to decide as to which of the following two machines need to be bought. The outlay for each of the projects is /Rs.2, 00,000.

Year	Cash flow for project A Rs.	Depreciation for project A Rs.	Cash flow for project B Rs.	Depreciation for project B Rs.
1	1,00,000	20,000	50,000	40,000
2	50,000	20,000	60,000	40,000
3	60,000	20,000	50,000	40,000
4	20,000	20,000	50,000	40,000
5			50,000	40,000

Calculate the payback period for each of the projects and rank them.

[10]

10.a) A firm maintains a provision for bad debts at 5% and a provision for discount at 2% on total debtors. From the following particulars, write up the provision and reserve account.

Balances on 1<sup>st</sup> April 2014.

Provision for bad debts Rs.45,000.

Provision for discount on debtors Rs.40, 000.

Total debtors were on 31<sup>st</sup> March 2015 Rs. 10, 00,000 after writing off bad debts of Rs.25,000 and allowing discount of Rs.30,000.

On 31<sup>st</sup> March 2016 Rs.6, 00,000 after writing off bad debts of Rs.15, 000 and allowing discount of Rs.17,500.

b) What are the limitations of ratio analysis?

[5+5]

OR

11.a) A company's sales for the year was Rs.12,00,000/-, 60% of which were on credit basis. At the beginning of the year the opening Sundry debtors showed Rs. 80,000 and the closing balance was Rs.40,000. Calculate debtor turnover ratio.

b) Define 'Double entry principle' and elaborate the Accounting records to be maintained by an organization.

[6+4]

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