

Code No: 07A4HS01

**R07****Set No. 2**

**II B.Tech II Semester Examinations, December 2010**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
**Common to BME, MECT, E.CONT.E, EIE, EEE**

Time: 3 hours

Max Marks: 80

**Answer any FIVE Questions**  
**All Questions carry equal marks**

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- (a) What is the significance of Capital?  
 (b) What factors determine the working capital requirements of a company? [16]
- What are the characteristic features of partnership form of business organisation and explain briefly the important types of partnerships. [16]
- What are the dimensions and objectives of pricing. [16]
- Write about the time series analysis and explain the various types of time series techniques used for demand forecasting. [16]
- On 31-12-1999 Trial Balance and adjustments of 'Damodar' were given below. Prepare Trading Profit & Loss account and Balance Sheet:

Trail Balance (as on 31.03.2007)

Particulars	Rs.	Particulars	Rs.
Drawings	750	Capital	15,000
Stock ( 1.4.06)	6,900	Purchases Returns	320
Bills Receivable	1,000	Bills Payable	1,180
Sales returns	300	Sales	8,300
Purchases	4,500	Discount	30
Wages	70	Sundry Creditors	1,300
Salaries	200	Bank overdraft	900
Insurance	120		
Buildings	6,000		
Furniture	700		
Sundry Debtors	6,000		
Cash in hand	470		
	<b>27,030</b>		<b>27,030</b>

Adjustments:

- Closing stock (31-03-07) Rs.8,000
  - Calculate 12% interest on capital
  - Prepaid insurance Rs.40. [16]
- From the following extract of a balance sheet of a company calculate the debt equity ratio and interest coverage ratio. Given that the debt equity ratio is in the range of 10:1 , how do you interpret this ratio? [16]

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50,000,10% preference shares of Rs. 100 each  
2,00,000 equity shares of Rs. 10 each  
10%, 30,000 debentures of Rs. 100 each  
Net profit during the year was Rs. 10,00,000

7. Illustrate about the schedule and diagrams of the slopes of demand curves. [16]
8. Derive the production function? Critically analyse Cobb-Douglas production function. [16]

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- Define Public Enterprises. Define its characteristics.
  - Which guidelines should be followed in selection of particular form of Business Organization? [8+8]
- Briefly explain the following:
  - Fixed cost
  - Variable cost
  - Semivariable cost
  - Marginal cost. [4+4+4+4]
- How do you classify the accounts? What is ledger. State its advantages.
  - What are the difference between the ledger and journal. [8+8]
- What is a market? What are its essential characteristics? Discuss various types of markets. [16]
- Find out the liquidity, profitability, financial leverage and activity ratios and discuss their utility by using the given information. [16]

Balance Sheet of S Ltd., as on Dec'2000.			
Liabilities	Rs.	Assets	Rs.
Equity share capital	1,50,000	Plant	1,00,000
Reserve fund	40,000	Machinery	75,000
6% Debentures	80,000	Investments (LT)	40,000
Sundry creditors	30,000	stock	30,000
Profit and Loss Account		Sundry Debtors	40,000
Previous year 1,000	25,000	Bank Balance	7,500
Current year 24,000		patents	2,500
		Preliminary exp	30,000
	3,25,000		3,25,000

- What are the components of working capital? Explain each of them. [16]
- Analyse the concept of elasticity of demand and examine the various factors effecting the elasticity of demand. [16]
- Explain the nature of demand curve and discuss about the different situations when the demand curve does not slope downwards. [16]

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Time: 3 hours

Max Marks: 80

Answer any FIVE Questions  
 All Questions carry equal marks

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- Write brief note on the following. Each question carries equal marks
  - Profit volume ratio
  - Margin of safety. [8+8]
- Explain the need to interpret financial statements. In the content of profitability, What are the relevant ratios? [16]
- Write a short notes on:
  - Sole trader
  - Public Corporation
  - Limited Company. [5+5+6]
- Elaborate the important of Finance function for evaluating the economic status of a business unit:
  - Insurance paid in advance Rs.200
  - Unpaid wages Rs.500
  - Commission Received in advance Rs.100
  - Interest accrued but not received Rs.200. [16]
- Is demand negative for substitutes or complementaries? Explain the relation of demand for car to price of petrol with the help of diagram. [16]
- Explain the price and output determination under monopoly. [16]
- Determine the ARR from the following data of two machines X & Y: [16]

	Machine X	Machine Y
Original investment (Rs.)	56,125	56,125
Estimated Salvage Value	3,000	3,000
Additional Investment	5,000	6,000
Estimated Life	5 Years	5 Years
Average Income tax Rate	55%	55%
CFAT year 1	3,375	11,375
2	5,375	9,375
3	7,375	7,375
4	9,375	5,375
5	11,375	3,375
Total	36,875	36,875

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

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Time: 3 hours

Max Marks: 80

Answer any FIVE Questions  
 All Questions carry equal marks

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1. Write brief note on the following: Each question carries equal marks. [16]
  - (a) Demand curve
  - (b) Demand schedule
  - (c) Giffen's Paradox
  - (d) Demand function.

2. Discuss the factor pricing method in perfect competition markets. [16]

3. Journalise the following transactions: [16]

2002		
Jan. 1	Gopal started his business with the capital	10,000
Jan. 1	Furniture Rs.3,000 and stock	2,000
Jan. 5	Deposited in Andhra Bank	8,000
Jan. 10	Goods purchased from Hari	7,000
Jan. 15	Goods sold to Srinivas on cash	6,500
Jan. 17	Goods returned to Hari	400
Jan. 20	Commission Received	800
Jan. 30	Salaries Paid	5,000
Jan. 31	Rent Paid	2,000

4. Distinguish between internal and external economies of scale. Explain how the expansion of the scale of production secures both types of economies. [16]

5. (a) How do you estimate capital requirements of a small scale industries?  
 (b) What are the components of working capital? [16]

6. Distinguish between a sole trader & a partnership form. [16]

7. From the following information find out :

- (a) Gross Profit Ratio
- (b) Operating Profit Ratio
- (c) Net Profit Ratio. [16]

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		Rs.
Sale		56,00,000
<b>Less: Cost of Goods Sold :</b>		
Raw material consumed	22,00,000	
Wages	12,00,000	
Other production expenses	8,00,000	42,00,000
		14,00,000
Gross Profit		
<b>Less : Administration Expenses :</b>		
Selling Expenses	50,000	
Distribution Expenses	1,00,000	
Administrative Expenses	3,00,000	
Loss on Sale of Fixed assets	18,000	
Loss on Sale of Investments	10,000	
Interests (on long-term debts)	1,30,000	
Provision for taxation (Inclusive of advance tax paid)	2,60,000	8,68,000
Net profit		5,32,000

8. Examine the concept of demand forecasting and discuss the various factors effecting demand forecasting. [16]

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