Code No: R1621026   **R16**   SET - 1

II B. Tech I Semester Regular Examinations, October/November - 2017
MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
(Common to EEE, ME, ECE, EIE, ECC, AME, AE and Mining Engineering)

Time: 3 hours   Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B**)
2. Answer **ALL** the question in **Part-A**
3. Answer any **Four** Questions from **Part-B**
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PART –A

1.	a)	State the features of Managerial economics.	3M
	b)	Define production function.	2M
	c)	What is price discrimination?	2M
	d)	What are the advantages and limitations of partnership firm?	3M
	e)	Explain the significance of double entry system	2M
	f)	Define functional flow system analysis	2M

PART -B

2.	a)	Discuss the importance of managerial economics in decision making.	7M
	b)	What is cross elasticity of demand? Is it positive for substitute or complements? Illustrate in a diagram relating to the demand for coffee to the price of tea.	7M
3.	a)	Why does law of diminishing returns operate? Illustrate with assumed data.	7M
	b)	The P/V ratio of Lakshmi books Ltd is Rs. 40% and the margin of safety Rs. 30. Calculate BEP and Net Profit. If the sales volume is Rs. 14000/-.	7M
4.		How a firm attains equilibrium in the short run and in the long run under conditions of perfect competition? Explain.	14M
5.		Small is beautiful'. Do you think, this is the reason for the survival of the sole trader from of business organization? Support your answer with suitable examples.	14M
6.		How ratios are classified for the purpose of financial analysis? With assumed data illustrate any two types of ratios under each category.	14M
7.	a)	What is meant by discounting and time value of money? How is it useful in capital budgeting?	7M
	b)	ABC company is considering the purchase of two machines A and B each costing Rs:50,000/-.Earnings after taxes are expected to be as under :	7M

Year	1	2	3	4	5
Machine A	5,000	15,000	20,000	30,000	20,000
Machine B	15,000	20,000	25,000	15,000	10,000

Estimate the two alternatives according to
i.ARR method   ii.NPV method a discount rate of 10%.

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2. Answer **ALL** the question in **Part-A**
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PART –A

1.	a)	Give the criteria for a good demand forecasting method.	3M
	b)	Differentiate between Isoquants and Isocosts.	2M
	c)	Explain the feature of Oligopoly market?	2M
	d)	What are the different types of companies?	2M
	e)	List various types of financial statements.	3M
	f)	What is profitability index	2M

PART -B

2.	a)	Explain the role of a Managerial Economist in a Business Firm.	7M
	b)	Explain various types of Elasticity of demand.	7M
3.	a)	Describe law of variable proportions in detail.	7M
	b)	Discuss the concept of Cost-Volume-Profit analysis	7M
4.	a)	Describe Cobb-Douglas production function.	7M
	b)	Discuss the price determining system in perfect competition market	7M
5.		What are business cycles? Explain its phases in detail.	14M
6.		What is double entry book keeping? Explain scope of important records of Accounting under Double entry system.	14M
7.		A company has an investment opportunity costing Rs.1,50,000 with the following expected net cash flow.	14M

Year	Cash Flow After Tax
1	16,000
2	34,000
3	44,000
4	54,000
5	54,000

Using 10% as the rate of discount determine the following:
  i.   Pay -back method
  ii. NPV method

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Time: 3 hours   Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B**)
2. Answer **ALL** the question in **Part-A**
3. Answer any **Four** Questions from **Part-B**
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PART –A

1.	a)	What is the importance of elasticity of demand?	3M
	b)	Define margin of safety.	2M
	c)	List the important features of market structures.	2M
	d)	What is the need of public enterprises?	2M
	e)	Define Ledger.	2M
	f)	Explain the concept of capital budgeting	3M

PART -B

2.	a)	What is law of demand? Explain various factors that determine the demand for a computer.	7M
	b)	Discuss statistical methods of demand forecasting.	7M
3.	a)	Explain Cobb-Douglas Production function.	7M
	b)	Describe the BEP with the help of a diagram and its uses in business decision making.	7M
4.	a)	What is perfect competition? State its features and how the price is determined in this market structure.	7M
	b)	Explain the concepts of flat rate pricing and usage sensitive pricing	7M
5.		Write short notes on (i)public company (ii) Government Company (iii) Private Company.	14M
6.		What is Funds flow statement? Discuss the significance of funds flow statement as a tool of financial analysis.	14M
7.		Examine the following proposals and evaluate them based on:
i.   ARR method(ARR on original investment) ii.NPV method
Initial investment is Rs.12,00,000/- each for all the two projects, discount factor is 10 %	14M

Year	Cash inflows(Rs.)	
	Project A	Project B
1	6,00,000	5,00,000
2	5,00,000	3,00,000
3	2,00,000	2,00,000
4	-	3,00,000

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Time: 3 hours   Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B**)
2. Answer **ALL** the question in **Part-A**
3. Answer any **Four** Questions from **Part-B**
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PART –A

1. a) Differentiate between short term and long term demand forecasting methods. 2M

   b) Define cost. How are costs classified? 2M

   c) List the features of Monopoly competition. 3M

   d) What is partnership deed? 2M

   e) What is double entry book keeping? 2M

   f) Explain time value of money. 3M

PART -B

2. a) Discuss the nature of problems studied in managerial economics. What is the importance of the study of such problems in business management? 7M

   b) What is promotional elasticity of demand? How does it differ from cross elasticity of demand? 7M

3. A Company reported the following results for two years 14M

Year	Sales	Profit
I	Rs. 40,00,000	Rs. 4,00,000
II	Rs. 50,00,000	Rs. 6,00,000

   Calculate BEP, PV ratio, fixes cost and Margin of Safety.

4. a) Explain the concept of Return to Scale and Economics of Scale 7M

   b) Explain Market Skimming and priority pricing methods. 7M

5. Define a joint stock company & explain its basic features, advantages & disadvantages 14M

6. Calculate current ratio, debt-equity ratio and proprietary ratio with the help of following information   14M

Particulars	Amount (Rs.)	Particulars	Amount(Rs.)
Cash&Bank balances	10,00,000	Capital(6,00,000 shares of Rs.10/-)	60,00,000
Marketable securities	6,00,000	Reserves &Surplus	30,00,000
Inventory	8,00,000	Profit &loss A/c Cumulative	4,00,000
Debtors	20,00,000	Debentures	40,00,000
Creditors	10,00,000	Long term loan	20,00,000
Bills payable	2,00,000	Long term public deposits accepted	20,00,000
		Fixed assets	80,00,000

7. Compare and contrast the NPV and ARR methods of evaluating investment proposals and illustrate with examples.   14M