

Code No: R21022

**R10**
**SET - 1**

**II B. Tech I Semester Supplementary Examinations, Jan - 2015**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
 (Com. to EEE, ME, ECE, EIE, CSE, IT, ECC, BME)

Time: 3 hours

Max. Marks: 75

Answer any **FIVE** Questions  
 All Questions carry **Equal** Marks

~~~~~

1. Define Managerial Economics. "Managerial Economics helps in solving Managerial Problems". Do you agree with this statement? Support your answer.
2. Explain how do you measure elasticity of demand. Illustrate. How do you interpret the different types of elasticity?
3. Explain the Law of Returns with appropriate examples.
4. Define Perfect Competition? Explain the price output determination under perfect competition.
5. What are the factors affecting the choice of form of business organization.
6. Prepare Trading, Profit and Loss Account and Balance Sheet as on 31-12-2012 from the Trial Balance of Shiva Co Ltd.,

| Dr                   |             | Cr               |            |
|----------------------|-------------|------------------|------------|
| Particulars          | Amount (Rs) | Particulars      | Amount(Rs) |
| Purchases            | 25,200      | Sales            | 61,604     |
| Furniture            | 1,600       | Capital          | 35,000     |
| Wages                | 3,500       | Creditors        | 3,903      |
| Machinery            | 20,000      | Purchase Returns | 222        |
| Opening Stock        | 17,525      |                  |            |
| Sales Returns        | 1,200       |                  |            |
| Debtors              | 10,400      |                  |            |
| Freight on purchases | 200         |                  |            |
| Salaries             | 10,600      |                  |            |
| Freight on sales     | 503         |                  |            |
| Rent & Taxes         | 2,001       |                  |            |
| Cash at bank         | 8,000       |                  |            |
|                      | 1,00,729    |                  | 1,00,729   |

Adjustments:

- |                                    |                                        |
|------------------------------------|----------------------------------------|
| i) Closing Stock Rs. 16,800        | ii) Outstanding Salaries Rs. 400       |
| iii) Prepaid Rent & Taxes Rs. 201  | iv) Provide for Bad Debts Reserve @ 5% |
| v) Depreciation on Machinery @ 10% | vi) Calculate Interest on Capital @ 5% |

Code No: R21022

**R10**
**SET - 1**

7. From the following particulars extracted from the financial statement of ABC & Co. Compute
- i) Current Ratio                      ii) Liquid Ratio                      iii) Inventory Turn over Ratio iv) Debtors Turn Over Ratio
- v) Creditors Turn Over Ratio

|                         | Rs.      |                        | Rs.    |
|-------------------------|----------|------------------------|--------|
| Opening Stock           | 47,000   | Sundry Debtors         | 42,000 |
| Closing Stock           | 53,000   | Cash                   | 10,000 |
| Sales Less Returns      | 2,52,000 | Bank                   | 8,000  |
| Provision for Bad Debts | 2,000    | Bills Receivable       | 15,000 |
| Sundry Creditors        | 32,000   | Provision for Taxation | 15,000 |
| Loose Tools             | 4,000    | Bills Payable          | 29,000 |
| Purchases               | 1,80,000 | Marketable Securities  | 8,000  |

8. Calculate Average Rate of Return for Projects X and Y from the following:

|               | Project X | Project Y |
|---------------|-----------|-----------|
| Investments   | Rs.40,000 | Rs.60,000 |
| Expected Life | 4 Years   | 5 Years   |

Projected Net Income (after interest, depreciation and taxes)

| Year | Project X (Rs.) | Project Y (Rs.) |
|------|-----------------|-----------------|
| 1    | 4,000           | 6,000           |
| 2    | 3,000           | 6,000           |
| 3    | 3,000           | 4,000           |
| 4    | 2,000           | 2,000           |
| 5    | -----           | 2,000           |
|      | 12,000          | 20,000          |

If the required rate of return is 10% , which projects should be undertaken.

Code No: R21022

**R10****SET - 2**

**II B. Tech I Semester Supplementary Examinations, Jan - 2015**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
(Com. to EEE, ME, ECE, EIE, CSE, IT, ECC, BME)

Time: 3 hours

Max. Marks: 75

Answer any **FIVE** Questions  
All Questions carry **Equal** Marks

~~~~~

1. Managerial Economics is the discipline which deals with the application of 'economic theory to business management'. Comment.
2. Evaluate survey based demand forecasting methods with appropriate examples.
3. Distinguish the types of costs which are not relevant from those which are relevant to the process of production.
4. What causes Monopoly? Explain the price output determination under Monopoly.
5. Explain the different phases in business cycle.
6. From the following Trial Balance of Evergreen and Company Limited, prepare Trading, Profit and Loss Account and Balance Sheet.

**Trial Balance as on 31-12-2012**

	Rs.	Rs.
Cash in hand	2,400	-
Purchases	2,40,000	-
Stock as on 1-1-2012	70,000	-
Debtors	1,00,000	-
Plant & Machinery	1,20,000	-
Furniture	30,000	-
Bills Receivable	40,000	-
Rent & Taxes	20,000	-
Wages	32,000	-
Salaries	37,600	-
Capital	-	2,00,000
Bills Payable	-	44,000
Creditors	-	48,000
Sales	-	4,00,000
Total	6,92,000	6,92,000

Adjustments:

- i) Closing inventory as on 31-12-2012: Rs. 50,000
- ii) Outstanding wages: Rs. 5,000
- iii) Prepaid Rent and Taxes Rs1000

Consider accounting period is from January to December

Code No: R21022

**R10****SET - 2**

7. From the following information, find out a) sales b) Closing Stock c) Sundry Debtors  
d) Sundry Creditors  
Gross Profit Ratio = 25%  
Debtors Turn Over Ratio = 4 months  
Stock Turn Over Ratio = 4 times  
Creditors Turn Over Ratio = 6 months  
Closing stock is Rs.10,000 more than the opening stock . Bills Receivable amount to Rs.65,000  
and Bills Payable to Rs.80,000. Cost of goods sold for the year is Rs.9,00,000.
8. XYZ company is considering an investment proposal to install new drilling controls at a cost of  
Rs.1,00,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is  
35%. Assume the firm uses straight line depreciation and the same is allowed for tax purposes.  
The estimated cash flows before depreciation and tax are as follows:

Year	Cash Flows before tax (Rs.)
1	20,000
2	21,384
3	25,538
4	26,924
5	40,770

Calculate: i) Pay Back Period ii) Average Rate of Return iii) NPV@ 10% discount rate  
iv) Profitability Index @10% discount rate.

Code No: R21022

**R10****SET - 3**

**II B. Tech I Semester Supplementary Examinations, Jan - 2015**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
(Com. to EEE, ME, ECE, EIE, CSE, IT, ECC, BME)

Time: 3 hours

Max. Marks: 75

Answer any **FIVE** Questions  
All Questions carry **Equal** Marks

~~~~~

1. Explain Law of Demand. What are its Exceptions?
2. Define and distinguish between: i) Price Elasticity and Income Elasticity ii) Arc Elasticity and Point Elasticity.
3. State and Illustrate the Production function with two variables.
4. Explain price output determination under Monopoly.
5. Write Short Notes on: i) MRTS ii) Expansion Path  
iii) Margin of Safety iv) Transfer Pricing.
6. Journalize the following transactions and post them into Ledger

| Date            |                                | Rs.    |
|-----------------|--------------------------------|--------|
| 2013, October 1 | K commenced business           | 12,000 |
| October 2       | Paid into Bank                 | 10,000 |
| October 3       | Bought goods for cash          | 500    |
| October 4       | Bought furniture for Office    | 900    |
| October 5       | Drew from Bank cash for office | 1,000  |
| October 6       | Goods sold to S                | 700    |
| October 7       | Bought goods from K            | 400    |
| October 8       | Paid Trade Expenses            | 400    |
| October 9       | Paid to K on account           | 800    |
| October 10      | Received Cash from S           | 700    |
| October 11      | Paid Salary                    | 900    |
| October 12      | Cash Sales                     | 17,000 |

7. From the following information Prepare Balance Sheet of Dinesh as on 31-12-2011.  
Fixed Assets Rs.4 lakhs; Working Capital Rs.5 lakhs; Current Ratio 2; Fixed Assets Turn Over 3; Gross Profit 15%; Debtors Velocity 1.5 months; Creditors Velocity 2 months, Stock Velocity 1 months; Net Profit 3% of turnover; Reserve 2/3 of Net Profits and Capital Gearing 1:1.

Code No: R21022

**R10**
**SET - 3**

8. From the following information, prepare Fund Flow Statement for Pioneer Ltd.

**Balance Sheet of Pioneer Ltd. as on March 31, 2012**

| Liabilities             | March<br>2011 | March<br>2012 | Assets        | March<br>2011 | March<br>2012 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Share Capital           | 5,00,000      | 7,00,000      | Goodwill      | 1,00,000      | 95,000        |
| Profit and loss account | 2,00,000      | 3,50,000      | Equipment     | 2,00,000      | 2,30,000      |
| Bank Loan               | 1,00,000      | 50,000        | Furniture     | 3,00,000      | 2,70,000      |
| Outstanding Rent        | 5,000         | 7,000         | Investments   | -----         | 1,00,000      |
| Provision for tax       | 30,000        | 50,000        | Debtors       | 80,000        | 1,20,000      |
| Creditors               | 50,000        | 45,000        | Stock         | 50,000        | 1,30,000      |
| Proposed dividend       | 50,000        | 70,000        | Cash and Bank | 2,05,000      | 3,27,000      |
| Total                   | 9,35,000      | 12,72,000     | Total         | 9,35,000      | 12,72,000     |

During the year, equipment costing Rs.80,000 was purchased. Loss on sale of equipment amounted to Rs.5,000. Depreciation of Rs.15,000 and Rs. 3,000 were provided for equipments and furniture.

Code No: R21022

**R10**
**SET - 4**

**II B. Tech I Semester Supplementary Examinations, Jan - 2015**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
 (Com. to EEE, ME, ECE, EIE, CSE, IT, ECC, BME)

Time: 3 hours

Max. Marks: 75

Answer any **FIVE** Questions  
 All Questions carry **Equal** Marks

~~~~~

1. Explain how Managerial Economics has its roots in Economics and Management. Does it have any link with other disciplines? Support your answer.
2. Explain factors governing Elasticity of Demand. What are the types of elasticity of demand?
3. Explain the types and properties of Isoquants and isocosts. How are they useful to a manufacturer?
4. Discuss the features of Monopolistic Competition? Explain the Price Output determination under Monopolistic competition.
5. Explain the need for Public enterprises in India. Do you think that public enterprises as a whole have fulfilled that need?
6. Journalize the following transactions and Post them into Ledger

Date		Rs.
2013, Sep 1	Ali commenced business with cash	17,000
Sep 2	Paid into Bank	7,000
Sep 3	Bought goods for cash	100
Sep 4	Bought furniture for Office	700
Sep 5	Drew from Bank cash for office	4,000
Sep 6	Goods sold to Khanna	800
Sep 7	Bought goods from Arvind	500
Sep 8	Paid Trade Expenses	100
Sep 9	Paid to Ali on account	300
Sep10	Received Cash from Khanna	500
Sep11	Paid Rent	100
Sep 12	Cash Sales	18,000

7. a) Explain any five accounting concepts and conventions with examples.  
 b) What are business cycles? Explain.

Code No: R21022

**R10****SET - 4**

8. Ace company in its financial statement gives the following details:

	2010	2011	2012
Cash	30000	20000	5000
Accounts Receivable	200000	260000	290000
Inventory	400000	480000	600000
Net Fixed Assets	800000	800000	800000
TOTAL	1430000	1560000	1695000
Accounts Payable	230000	300000	380000
Accruals	200000	210000	225000
Bank loan Short term	100000	100000	140000
Long term debt	300000	300000	300000
Share Capital	100000	100000	100000
Retained earnings	500000	550000	550000
TOTAL	1430000	1560000	1695000
Sales	4000000	4300000	3800000
Cost of goods sold	3200000	3600000	3300000
Net profit	300000	200000	100000

Determine the relevant ratios and analyze the financial condition and performance over the last three years and find if any problem faced by the company.