Code No: RT31022 **R13** SET - 1

III B. Tech I Semester Supplementary Examinations, May - 2018
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(**Common to** Electrical and Electronics Engineering, Automobile Engineering and Mining Engineering)

Time: 3 hours Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B)**
2. Answering the question in **Part-A** is compulsory
3. Answer any **THREE** Questions from **Part-B**

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PART –A

1	a)	Explain about Law of Demand.	[3M]
	b)	What are Isoquants.	[4M]
	c)	What do you mean by Opportunity Cost?	[4M]
	d)	Explain about Market Skimming pricing.	[3M]
	e)	What do you mean by Liquidity ratios?	[4M]
	f)	Explain the meaning of capitalization.	[4M]

PART -B

2	a)	Define managerial economics. Explain the nature and scope of managerial economics.	[8M]
	b)	What do you mean by elasticity of demand? Explain different types of elasticity of demand.	[8M]
3	a)	Explain the concept of 'law of variable proportions'.	[8M]
	b)	Explain the significance of CVP analysis in managerial decision making.	[8M]
4	a)	What do you mean by monopoly? Explain the features of monopoly.	[8M]
	b)	Explain the price output determination under perfect competition.	[8M]
5	a)	Explain the features of a joint stock company.	[8M]
	b)	What do you mean by business cycle? Explain different phases of business cycle.	[8M]
6	a)	Prepare Trading and Profit and Loss Account for the year ended 31st March 2013 and Balance sheet as at that date from the following trail Balance of India & Co.,	[8M]
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Dr. Balances	Rs.	Cr. Balances	Rs.
Drawings	45,000	Capital	1,60,000
Goodwill	80,000	Bills payable	33,800
Land & Buildings	60,000	Creditors	70,000
Plant & machinery	40,000	Purchase returns	2,650
Loose tools	3,000	sales	4,18,000
Bills receivables	3,000		
Stock 1st april 2012	40,000		
Purchases	2,51,000		
Wages	20,000		
Carriage outwards	500		
Carriage inwards	1,000		
Coal	5,800		
Salaries	35,000		
Rent, Rates & Taxes	2,800		
Discount	1,500		
Cash at bank	25,000		
Cash in hand	400		
Sundry debtors	45,000		
Repairs	1,800		
Printing & stationary	500		
Bad debts	1,200		
Advertisements	3,500		
Sales returns	2,000		
Furniture	11,200		
General Expenses	5,250		
	6,84,450		6,84,450

Adjustments
i) Closing stock on 31.03.2013 was Rs.35,000
ii) Provide 5% on debtors against bad debts and 2% against discount on creditors
iii) Provide Rs.1,500 for wages iv) Advertisements prepaid Rs.500
v) Depreciate plant & machinery, Tools and furniture by 10% and Land & Buildings by 5%.

b) Explain the significance of ratio analysis in evaluating the performance of companies. [8M]

7 a) Explain the need and significance of capital budgeting in managerial decision making. [8M]

b) A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y, the details which are: [8M]

Particulars	Project X	Project Y
Investment(Rs)	70,000	70,000
Cash inflows(years)Rs		
1	10000	50000
2	20000	30000
3	30000	40000
4	40000	10000
5	50000	10000

Compute the net present value at 10% discount rate for the two projects.

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