

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**

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 31 st 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 1 st 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 | | |
| | <u>6,84,450</u> | | <u>6,84,450</u> |

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.
