Code No: R22013   **R10**   SET - 1

II B. Tech II Semester, Supplementary Examinations, Dec – 2012
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Com. to CE, MM)

Time: 3 hours   Max. Marks: 75

Answer any **FIVE** Questions
All Questions carry **Equal** Marks
Present value tables are permitted for Q. No. 5
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1. Explain how Managerial Economics is linked with other academic disciplines.

2. What is Law of demand? Explain its limitations and why the demand curve is slopping downwards?

3. Define production function? What are the types of production function? Explain them in brief

4. What is perfect competition? How are price and output determined under perfect competition?

5. Consider the case of the company with the following two investment alternatives each costing Rs. 8, 00,000/-. The details of the cash flows are as follows.

Year	Cash flows (in Rs.)	
	Project-I	Project-II
1	3,00,000	6,00,000
2	5,00,000	4,00,000
3	6,00,000	3,00,000

The cost of capital is 10 per cent per year. Which one will you choose? According to
   a) NPV method.
   b) IRR method.

6. Define partnership business and explain its salient features.

7. Explain briefly the following concepts
   a) Generally Accepted Accounting Principles (GAAP)
   b) Double Entry Principles

8. Calculate the following Ratios
   i) Liquidity Ratios
   ii) Long term Ratios
   Data Information:
   Cash – 10,000,   Bank – 20,000, Debtors – 25,000
   Creditors – 10,000, Bills Payable – 5,000, Bank OD – 5,000
   Equity Share Holders – 30,000
   Preference Share Holders – 40,000
   Debentures and Bonds – 35,000
   Opening Stock – 10,000, EBIT – 20,000
    Fixed Interest Charges – 10,000

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Code No: R22013   **R10**   SET - 2

II B. Tech II Semester, Supplementary Examinations, Dec – 2012
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Com. to CE, MM)

Time: 3 hours   Max. Marks: 75

Answer any **FIVE** Questions
All Questions carry **Equal** Marks
Present value tables are permitted for Q. No. 3
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1. Define Managerial Economics and point out its chief characteristics.

2. What is meant by Elasticity of demand? Explain giving a suitable illustration. How elasticity of demand determines the price policy of a firm?

3. XYZ company with the following two investment alternatives each costing Rs. 11, 00,000/-. The details of the cash flows are as follows.

Year	Cash flows (in Rs.)	
	Project-I	Project-II
1	4,00,000	6,00,000
2	6,00,000	7,00,000
3	5,00,000	4,00,000

The cost of capital is 10 per cent per year. Which one will you choose? According to
 a) Payback period and
 b) NPV I method

4. Explain the following with the help of a table and diagram under perfect competition and monopoly.
   a) Marginal Revenue
   b) Average Revenue

5. What are the phases of trade cycle? Explain them in detail.

6. Define public enterprises. What are their features and advantages?

7. From the following Transactions prepare Journals of Mr. Ram&co. books
   i) Business Start with cash Rs.2,00,000/-
   ii) Amount deposit into SBI Rs.45,000/-
   iii) Purchased goods (or) on credit from Raj Rs.40,000/-
   iv) Sold Goods to Anitha Rs.55,000/-
   v) Paid office Expenses Rs.1,000/-
   vi) Insurance paid Rs.2000/-
   vii) Purchased good Rs.20,000/-
   viii) Cash withdraws from bank Rs.25,000/-
   Prepare a) Cash Ledger b) Bank Ledger

8. What is Funds flow statement? How to prepare the Funds flow statement? Explain.

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Code No: R22013　　　　　　　　　　**R10**　　　　　　　　　　SET - 3

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(Com. to CE, MM)

Time: 3 hours　　　　　　　　　　　　　　　　　　　　　　　　　　Max. Marks: 75

Answer any **FIVE** Questions
All Questions carry **Equal** Marks
Present value tables are permitted for Q. No. 3
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1. Explain how Managerial Economics is linked with other academic disciplines.

2. If the price of a product is Rs. 1000 and the original quantity demanded is 10,000 units. When the price falls to Rs. 800 and the quantity demanded rises to 16,000 units, calculate the price elasticity of demand.

3. A business firm is thinking of choosing the right machines for their purpose after financial evaluation of the proposals. The initial cost and the net cash flow over five years to the business firm have been calculated for each machine is as follows and assuming the cost of capital to be 12%.

	Machine 'A'	Machine 'B'
Initial cost (Rs.)	20,000	28,000
Net cash flows	---	---
1st year	8,000	10,000
2nd year	12,000	12,000
3rd year	9,000	12,000
4th year	7,000	9,000
5th year	6,000	9,000

Choose the machine based on (a) payback period and (b) NPVI method

4. Define public enterprises. What are their features and advantages?

5. Explain the production function with reference to Law of Variable proportions.

6. What are the phases of trade cycle? Explain them in detail.

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Code No: R22013 **R10** SET - 3

7. From the following data, prepare final Accounting?

Purchase	50,000	Rent – 1,000
Sales	85,000	Commission Received – 5,000
Returns	1,000, 2,000	Rent Received – 2,000
Opening Stock, 10,000		Bad debts – 1,000
Creditors – 30,000		Cash In hand – 10,000
Debitors – 40,000		Cash at bank – 20,000
Bills Payable – 10,000		Insurance – 1,000
Bills Receivable – 15,000		Capital – 50,000
Wages – 500		Buildings – 20,000
Salaries – 900		Plant & Machinery – 20,000

Additional Information

Closing stock was valued end of the Year Rs.10,000/-
Bad debts on Sunday debitors @10%

8. Explain the following Ratios

a) Long Term Ratios and
b) Profitability Ratio's

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Code No: R22013 $\quad$ **R10** $\quad$ SET - 4

II B. Tech II Semester, Supplementary Examinations, Dec – 2012
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
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Time: 3 hours $\hfill$ Max. Marks: 75

Answer any **FIVE** Questions
All Questions carry **Equal** Marks
Present value tables are permitted for Q. No. 3
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1. Explain how Managerial Economics is linked with other academic disciplines.

2. Differentiate extension in demand and increase in demand. Illustrate

3. Rank the following investment proposals in order of their profitability according to Pay-Back Period and IRR methods assuming the cost of capital to be 12%.

Project	Initial Outlay (Rs.)	Annual Cash Flow (Rs.)	Life in years
A	25,000	3,000	10
B	3,000	1,000	5
C	12,000	2,000	8
D	20,000	4,000	10
E	40,000	8,000	12

4. Define Joint Stock Company. What are its features and various forms?

5. Explain the production function with reference to Law of Variable proportions.

6. What are the characteristics of a perfectly competitive market? Explain its equilibrium in the short-run and long-run.

7. Explain briefly the following concepts
    a) Generally Accepted Accounting Principles (GAAP)
    b) Double Entry Principles

8. Calculate the following Ratios with the help of the information given below.
   Current Assets – 50,000
   Bank OD, and Creditors – 30,000
   Cost of Goods Sold – 20,000
   Sales and Sales returns – 30,000, 1,000
   Gross Profit – 9,000
   Operating Cost – 10,000 and Profit after Tax – 20,000
   Stock – 5,000 and Bank OD – 5,000
   No. of Equity shareholders – 12,000 each share @100/-
   Preferences dividend – 5,000 and Market Price – 125/-
    a) Liquidity Ratios
    b) Profitability Ratios

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