

Code No: X0525

R07**SET - 1**

II B. Tech I Semester, Supplementary Examinations, Nov – 2012
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
 (Com. to CSE, IT, MM)

Time: 3 hours

Max. Marks: 80

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

Present value tables are permitted for Q. No. 5

1. Define Managerial Economics. Explain its Nature and Scope in detail.
2. What are the differences between a shift in demand and a movement along a demand curve?
3. What is least cost combinations of inputs? Explain with the help of diagrams.
4. What are the features of perfect competition?
5. Consider the case of PQR company with the following two investment alternatives each costing Rs. 12, 00,000/-. The details of the cash flows are as follows.

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

The cost of capital is 12 per cent per year. Which one will you choose? According to

- a) Payback period and
 - b) IRR method.
6. What do mean by partnership? Explain its features, advantages and disadvantages.
 7. Define accounting principles? Explain the accounting concepts.
 8. What is ratio analysis? Explain the importance of ratios and their limitations?

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R07**SET - 2**

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Answer any **FIVE** Questions
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1. Define law of demand what are deterrents of demand
2. What is price elasticity of demand? Explain the methods of measuring price elasticity of demand.
3. If sales are 20,000 units and selling price is Rs. 12 per unit, variable cost Rs. 7 per unit and fixed cost is Rs. 90,000. Find out BEP in units and sales revenue. What should be the sales for earning a profit of Rs. 50,000/-.
4. a) What is the relationship between diminishing returns and the stages of production?  
b) How is the law of diminishing returns reflected in the shape of the total product curve?
5. What is the relationship between marginal cost and price for a monopolist? How is it different from the competitive firm?
6. Examine the role of sole proprietorship in forms of organization.
7. What are the methods of Capital budgeting? Explain them in detail.
8. Discuss the important ratios? Explain any four of them with examples to understand the financial statements?

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**R07****SET - 3**

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Max. Marks: 80

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

Present value tables are permitted for Q. No. 7

1. What is Managerial Economics? Explain the exceptions of law of demand.
2. How do you measure the elasticity of demand? What is its significance?
3. Explain the production function with reference to Law of Variable proportions and substitutability of factors.
4. Evaluate joint stock company form of business organization.
5. Define the Break-even point. Explain its assumptions and limitations
6. What are the basic accounting concepts? Explain in brief.
7. ABC Co. Ltd. is proposing to undertake one project. Two projects A and B are available. The initial cost of the Project in each case is Rs. 4, 00,000/-. A discount factor of 10% is used to compare the projects. Cash flows after taxes are likely to be as under.

|      | Cash flows after taxes (in |             |
|------|----------------------------|-------------|
| Year | Project 'A'                | Project 'B' |
| 1    | 1,50,000                   | 50,000      |
| 2    | 2,00,000                   | 1,50,000    |
| 3    | 2,50,000                   | 2,00,000    |
| 4    | 1,50,000                   | 3,00,000    |
| 5    | 1,00,000                   | 2,00,000    |

Which one do you recommend under Net Present Value Index method?

8. What are the important ratios? Explain any four of them with examples to understand the financial statements?

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**R07****SET - 4**

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Time: 3 hours

Max. Marks: 80

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

1. Define Managerial Economics. Explain the Nature and Scope of managerial economics.
2. Explain Cobb-Douglas production function?
3. Discuss briefly the various methods of demand forecasting and point out their limitations.
4. What are the features of a monopoly and a competitive market coexisting in monopolistic competition?
5. Define the Break-even point. Explain its assumptions and limitations.
6. What are the features and various forms of a Joint Stock Company?
7. Rank the following investment proposals in order of their profitability according to Pay-Back Period and Internal rate of return methods assuming the cost of capital to be 10%.

| Project | Initial Outlay<br>Rs. | Annual Cash Flow<br>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            |

8. What is accounting? Explain the types of accounts with suitable formulae.