

B.Tech II Year - II Semester Examinations, April-May, 2012
MANAGERIAL ECONOMICS AND FINANACIAL ANALYSIS
(Electrical and Electronics Engineering)

Time: 3 hours

Max. Marks: 75

Answer any five questions
All questions carry equal marks

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1. Explain the nature and scope of Managerial Economics? [15]
2. Explain Elasticity of Demand? Explain the different types of Elasticity of Demand? [15]
3. Explain Production function with all variables? [15]
4. Explain the features of Monopoly. How they differ from the features of Perfect Competition. [15]
5. Explain the different forms of business organization and their salient features. [15]
6. From the Following figures calculate the working Capital Requirement of the ABC Company. [15]

Units of Production	12000 per year.
Cost per unit.	
Raw Material	Rs.3/-
Labour	Rs.5/-
OverHeads	Rs.2/-
	=====
Total Cost	Rs.10/-
Profit	Rs. 2/-
	=====
Selling Price	Rs.12/-
	=====
Raw Material Requirement	2 months
Semi finished Goods	3 months
(1/2 Raw Material + 1/2 Labour)	
Finished Goods	1 month
Debtors	2 months
Cash	Rs.20,000/-
Creditors	1 month.

7. Mr.Sharma is providing you the list of balances of his business on 31-12-98.
Prepare the final accounts for him. [15]

Trial Balance on 31-12-98

Particulars	Debit (Rs.)	Credit (Rs.)
Capital	-	50,000
Drawings	7,500	-
Purchases and Sales	72,100	95,000
Returns	1,300	2,700
Debtors, Creditors	18,200	35,750
Stock (1-1-98)	19,800	-
Bad Debts	3,000	-
Bills Receivable	12,000	-
Bills Payable	-	23,000
Cash in Hand	800	-
Office Expenses	6,210	-
Sales Van	15,000	-
Expenses of sales van	1,400	-
Discount	-	2,910
Rent, Taxes	10,700	-
Telephone Charges	1,050	-
Postal Charges	950	-
Furniture & Fittings	5,000	-
Printing & Stationery	2,750	-
Commission	8,400	-
Carriage inward	3,200	-
Salaries and Wages	20,000	-
	209,360	209,360

Adjustments:

Closing Stock Rs.61,700/-

Depreciate furniture by 10%, Sales van by 20%.

Rent outstanding Rs.900/-.

8. The following ratios relate to Cosmos Limited

Gross profit ratio 15%

Debtors velocity 3 months

Stock velocity 6 months

Creditors velocity 3 months

Gross profit for the year ended was Rs.90,000 closing
and opening stocks are of the same amount.

Find out

- i. Sales
- ii. Closing Stock
- iii. Sundry Debtors
- iv. Sundry Creditors.

[15]

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1. Define Law of Demand. Explain its determinants and exceptions. [15]
2. What is Demand Forecasting? What are the different methods of Demand Forecasting? [15]
3. The following information is obtained from the records of a company

Sales	Rs.1,00,000
Variable Cost	Rs. 60,000
Fixed Cost	Rs. 20,000

You are required to calculate P/V ratio, break-even sales and margin of safety also study the impact of changes in the following variable on P/V ratio, BEP, Margin of Safety

 - i) Increase in selling price by 10%
 - ii) Decrease in fixed cost by Rs.5,000/-

(Both calculations have to be done separately). [15]
4. Why there is a necessity to do pricing of the products? Explain different methods of pricing products? Which one do you prefer most? [15]
5. Define Joint Stock Company. What are the features of a Company form organization? [15]
6. Mahesh Limited is considering to purchase a new model of Truck. Two alternative models are taken for consideration each costing Rs.4 lacs. Earnings after taxation for five years from both models are estimated as follows

Year	1	2	3	4	5
Model I (Rs.)	40000	120000	160000	240000	160000
Model II (Rs.)	120000	160000	200000	120000	80000
PV @ 10%	0.909	0.826	0.751	0.683	0.62

You are required to suggest which alternative is preferable. [15]

7. Mr.Sharma is providing you the list of balances of his business on 31-12-98.
Prepare the final accounts for him. [15]

Trial Balance on 31-12-98

Particulars	Debit (Rs.)	Credit (Rs.)
Capital	-	50,000
Drawings	7,500	-
Purchases and Sales	72,100	95,000
Returns	1,300	2,700
Debtors, Creditors	18,200	35,750
Stock (1-1-98)	19,800	-
Bad Debts	3,000	-
Bills Receivable	12,000	-
Bills Payable	-	23,000
Cash in Hand	800	-
Office Expenses	6,210	-
Sales Van	15,000	-
Expenses of sales van	1,400	-
Discount	-	2,910
Rent, Taxes	10,700	-
Telephone Charges	1,050	-
Postal Charges	950	-
Furniture & Fittings	5,000	-
Printing & Stationery	2,750	-
Commission	8,400	-
Carriage inward	3,200	-
Salaries and Wages	20,000	-
	209,360	209,360

Adjustments:

- Closing Stock Rs.61,700/-
Depreciate furniture by 10%, Sales van by 20%.
Rent outstanding Rs.900/-.

8. From the following balance sheet of ABC Co. Ltd., calculate the following ratios
i) Current Ratio ii) Quick ratio iii) Debt equity ratio.
Balance Sheet of ABC Co., Ltd., as on 31.12.2008. [15]

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	1000	Plant and Machinery	975
Debentures	900	Stock	550
Creditors	200	Debtors	550
Outstanding expenses	100	Cash in hand	375
Profit and loss account	100	Prepaid expenses	50
Bank loan (Long Term)	200		
Total	2500		2500

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1. Define elasticity of demand? Explain method of measuring elasticity of demand? [15]
2. What is demand forecasting? Explain different methods of demand forecasting. [15]
3. Differentiate between perfect competition and monopoly? [15]
4. What is monopoly? How is price and output determined in monopoly? [15]
5. Explain the net present value technique of capital budgeting? What are its limitations? [15]
6. Calculate PBP, NPV, & IRR for the following proposals. The cost of proposals in both the cases is RS.500000, cost of capital is 10%. [15]

Year	M	N
1	100000	50000
2	150000	100000
3	200000	150000
4	250000	200000
5	300000	250000

7. What do you mean by trial balance? Why is trial balance prepared? [15]
8. From the following balance sheet of ABC Co. Ltd., calculate the following ratios
i) Current Ratio ii) Quick ratio iii) Debt equity ratio.
Balance Sheet of ABC Co., Ltd., as on 31.12.2008. [15]

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	1000	Plant and Machinery	975
Debentures	900	Stock	550
Creditors	200	Debtors	550
Outstanding expenses	100	Cash in hand	375
Profit and loss account	100	Prepaid expenses	50
Bank loan (Long Term)	200		
Total	2500		2500

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1. Define managerial economics. Its role in business decision making. [15]
2. What is demand forecasting? Type of demand forecasting. [15]
3. Explain law of diminishing returns with suitable diagram? [15]
4. The following information is obtained from the records of a company

Sales	Rs.1,00,000
Variable Cost	Rs. 60,000
Fixed Cost	Rs. 20,000

You are required to calculate P/V ratio, break-even sales and margin of safety also study the impact of changes in the following variable on P/V ratio, BEP, Margin of Safety

 - i) Increase in selling price by 10%
 - ii) Decrease in fixed cost by Rs.5,000/-

(Both calculations have to be done separately). [15]
5. Write difference between private and public company? [15]
6. Explain how Trial Balance is prepared? Write the errors disclosed by trial balance? [15]
7. Pass the journal entries in the following cases: [15]

March 2006 1 st	Paid Rs 4000 as wages.
2 nd	Received Rs.3000 for a bad debt return off 2 years each.
3 rd	Paid cash to sangeetha Rs.1500.
4 th	Sold goods to Mr.Y -800.
5 th	Received commission Rs.50.
18 th	Deposited into bank Rs.1500.
19 th	Paid salaries Rs.500.
- 8.a) What are financial statements? Why are they prepared?
- b) Is ratio analysis, a complete tool for analysing financial statements? [15]
