

R09

Code No: 09A50301

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY, HYDERABAD

B. Tech III Year I Semester Examinations, November/December-2013

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common To ME, BME, IT, BT, AME, MCT, ECC, MIE, MIM, EIE)

Time: 3 hours

Max. Marks: 75

Answer any five questions
All questions carry equal marks

- 1.a) What is demand analysis? Discuss uses of demand analysis to a firm.
- b) Discuss various methods and sources of raising finance. In this context differentiate between working capital and fixed capital. [15]
- 2.a) Discuss various methods of demand forecasting.
- b) Define nature and scope of managerial economics and its relationship with other branches. [15]
- 3.a) Explain Economies of Scale. What are the managerial uses of Break even Analysis?
- b) Differentiate between role trading business and partnership business. Discuss their merits and demerits. [15]
- 4.a) Discuss Price-output determination in perfect Competition.
- b) Explain various cost concepts which have a significance on direct and indirect cost control. [15]
5. Outline the changes in Business environment after Liberalization, Privatization and Globalization. [15]
6. From the following annual statements, calculate the following ratios [15]
 - i) Current ratio
 - ii) Debt equity ratio
 - iii) Capital gearing ratio
 - iv) Liquid ratio
 - v) Draw your meaningful inferences

Balance sheet of M/S Weldon Ltd. 31st March 2012

<u>Liabilities</u>	Rs	<u>Assets</u>	Rs
Equity share capital	30,00,000	Land	5,00,000
Preference re capital	40,00,000	Buildings	30,00,000
General reserve	5,00,000	P&M	
5,00,000			
Profit and loss account	5,00,000	Furniture	4,00,000
12% Debentures	20,00,000	Debentures	10,00,000
Trade creditors	6,00,000	Stock	
15,00,000			
Outstanding expenses	1,50,000	Cash	4,00,000
Provision for taxation	2,00,000	Prepaid expenses	1,00,000
Proposed dividend	30,00,000	preliminary expenses	3,50,000
	<u>1,12,50,000</u>		<u>1,12,50,000</u>

7. The expected cash flows of the project are as follows:

Year	Cash Flow (After Taxes) in Rs.
0	- 100,000
1	20,000
2	30,000
3	40,000
4	50,000
5	30,000

The cost of capital is 12%. Calculate (i) Pay Back Period (ii) NPV and ARR when the depreciation is on straight line and Tax rate is at 35% [15]

8. Hira and Manik are partners in a firm sharing profits and losses in equal proportions. Following is the Trial Balance on 31st March 2012

Debit	Rs	Credit	Rs
Plant and Machinery	50,000	Sales	2,40,000
Opening stock	30,000	Discount	2,000
Purchases	80,000	Creditors	20,000
Land and Building	85,000	Bills payable	10,750
Carriage Inwards	1,700	Hira's loan account	50,000
Carriage outwards	2,500	Capital accounts	
Wages	16,000	Hira	50,000
Debtors	50,000	Manik	25,000
Salaries	12,000		
Furniture	18,000		
Trade expense	6,000		
Return inwards	950		
Advt suspense	12,500		
Discount	900		
Partners drawings			
Hira	3,000		
Manik	2,000		
Bills receivable	20,000		
Insurance	1,200		
Bad debts	1,000		
Cash	5,000		
Total	3,97,750	Total	3,97,750

You are required to prepare financial statement considering the following adjustments:

- Closing stock Rs 45,000
- Depreciate plant @10%, Furniture @ 20%
- Bad debt reserve to be raised 2.5% on debtors
- Hira gave loan to the firm on 30th September, interest @ 6% p.a
- Manik to get Rs 250 per month as salary allowance.

[15]