

**II B.Tech II Semester(R09) Regular Examinations, April/May 2011**  
**MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS**

(Common to Electronics & Instrumentation Engineering, Electronics & Control Engineering, Electronics & Communication Engineering)

Time: 3 hours

Max Marks: 70

**Answer any FIVE questions**  
**All questions carry equal marks**

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1. Explain the Determinants of demand and their impact on demand? Illustrate your answer with the help of graph.
2. Write short notes on:
  - (a) Elasticity of Demand=zero
  - (b) Elasticity of Demand=infinite
  - (c) Elasticity of Demand=one
  - (d) Elasticity of Demand>one
  - (e) Elasticity of Demand<one
3. Explain production function with two variable.
4. Compare and contrast the features of perfect markets with monopoly.
5. Explain the features of partnership? Explain its advantages and disadvantages.

6. There are two projects A and B. The capital investment in both the projects is Rs. 1,00,000/-. The returns on the projects are as under:

Year	Project A	Project B
1	20000	40000
2	25000	30000
3	30000	25000
4	40000	20000

Calculate the payback period and decide which project to choose and why?

7. Journalize the entries and prepare ledger and trial balance from the following.

1998		Rs.
May 1	purchased goods from Teja 50% of it invoiced to Mani	30,000
May 2	sold goods to Kapil Rs. 15,000/- and received a cash of	3,000
May 4	Purchased goods from Sai for Rs. 12,000/- and paid	2,000
May 6	Bought Indica car and presented it to his son-in-law	250,000
May 7	cash paid to M/s. Jasper Industries Ltd.,	250,000
May 8	Purchased Santro car for office use kapil became insolvent, a dividend of 50 ps. In a rupee is	300,000
May 10	received	
May 11	Bought Indica car and presented it to his son-in-law	300,000
May 12	Sai account settled with a discount of	500

8. From the following balance sheet of ABC Co. Ltd., calculate the following ratios

- (a) Current Ratio
- (b) Quick ratio
- (c) Debt equity ratio.

Balance sheet of ABC co., Ltd., as on 31.12.2008

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. What is Law of Demand? What are the assumptions of Law of Demand?
2. Explain different types of elasticity of demand. Explain the significance of each type.
3. Explain marginal rate of technical substitution, isoquants and isocosts.
4. Explain the price-output determination under perfect competition.
5. Define joint stock company. What are the features of a company form organization?
6. Company is considering an investment proposal which requires an initial outlay of Rs. 1,00,000 and has a life of five years with no salvage value. The company's tax rate is 50%. The firm uses straight -line depreciation method. The estimated cash flow before tax are as follows.

Year Cash flows	1	2	3	4	5
Before tax	10,000	11,000	14,000	15,000	25,000

You are required to calculate:

- (a) pay-back period
  - (b) Net present value. The company's required rate of return of return is 10%.
7. Write Journal, Ledger and trial Balance from the following transactions.

1998		Rs.
Jan 1	Commenced business with cash	100000
Jan 2	Bought goods for cash	10000
Jan 3	Sold goods for cash	5000
Jan 4	Purchased goods on credit from Mahesh	5000
Jan 5	Sold goods to venkatesh	2000
Jan 6	Goods returned to Mahesh	1500
Jan 7	Sold goods to Akhilesh for cash	2300
Jan 8	Venkatesh returned goods	800
Jan 9	Purchased office premises	200000

8. From the following balance sheet calculate (1) current ratio (2) Quick Ratio (3) Debt equity Ratio and other possible ratios:

Liabilities	Rs.	Assets	Rs.
Equity share capital	400000	Land & buildings	500000
Reserves	80000	Machinery	220000
Debt	480000	Inventory	180000
Current liabilities	240000	Debtors	240000
Profit and loss account		Bills receivables	60000
	1200000		1200000

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1. Explain demand. Explain law of demand. What are the exceptions to law of demand?
2. Elasticity of demand is a number. Explain what is the significance when it varies between zero and infinite?
3. Explain the cost output relationship in the short run.
4. Explain different pricing methods?
5. Define co-operative society. What are the features of co-operative society? What are the advantages and disadvantages of co-op. society?
6. Company Z is planning to expand its production by installing a new machine. Company X and Y are selling the same machine at. Rs. 5,00,000/- the life of machine is 5 years. But the expected benefits are as follows:

Year	1	2	3	4	5
Company X	50000	60000	70000	80000	90000
Company Y	75000	100000	125000	150000	125000

The salvage value of company X's machine is expected to be Rs. 20000 while that of company Y's machine is nil. Calculate (i) pay back period (ii) ARR.

7. Prepare trading and profit and profile and loss account and balance sheet, on 31-03-1997 with the following particulars

Particulars	Debit Rs.	Credit Rs.
Sales	-	100,000
Purchases	175,000	-
Drawings	-	25,000
Rent to be collected	-	6,000
Income tax paid	3,500	-
Carriage	2,200	-
Discount allowed	600	-
Discount received	-	300
Wages	31,000	-
Interest on investments	-	4,500
Commission received	-	2,000
Bills receivable	-	35,000
Bills payable	-	20,000
Sundry creditors	45,000	-
Sundry debtors	-	100,000
Bank loan	25,000	-
Capital	-	100,000
Plant & machinery	60,000	-
Bank	20,000	-
Advertising	5,000	-
Instalment due on Hire purchase	-	4,500
	367,300	397,300

8. Summarized accounts of ashok Ltd., for the year ended 31.12.1978

**BALANCE SHEET.**

Liabilities	Rs.	Assets	Rs.
Share capital	250	fixed assets 500 less: depre 80	420
General reserve	100	Cash	55
Debentures	180	Debtors	65
Term loans	30	Inventories	90
Creditors	70		
Total	630	total	630

**INCOME STATEMENT.**

Net sales	350
Less of cost of material	70
Wages	90
Gross profit	190
Less: admn, selling & general cost	50
Earning before depreciation, interest and tax	140
Less depreciation	30
Operating profit	110
Less: interest	25
Earning before tax	85
Less tax	15
Earning after tax	70
Less: dividend	25
Retained earnings	45

Calculate the activity ratios.

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1. Explain law of demand and its chief characteristics. The law of demand does not hold good in case of luxuries. Explain other instances of exceptions.
2. What are the factors governing the demand forecasting?
3. (a) Explain what is break even point.  
(b) A firm has fixed cost of Rs. 5,000/-, variable cost per unit Rs.3 and selling price of Rs. 5/-.  
Determine the break even point in terms of volume and value.
4. Write short notes on:
  - (a) Limit pricing
  - (b) Going rate pricing
  - (c) Market skimming pricing
  - (d) Sealed bid pricing.
5. What are the different forms of public enterprises? Explain their features.
6. Write short notes on:
  - (a) Net present value
  - (b) IRR
  - (c) Profitability index.
7. Mr. Sharma is providing you the list of balances of his business on 31-12-1998. Prepare the final accounts for him.

Trail Balance on 31-12-1998

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 (1-1-1998)	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 in ward	3,200	-
Salaries and wages	20,000	-
	209,360	209,360

Adjustments:

(1) Closing stock Rs. 61,700/-.

Depreciate furniture by 10%, sales van by

(2) 20%

(3) Rent outstanding Rs. 900/-.

(4) Bad debts Rs. 200/-.

(5) Provide 5% for bad and doubtful debts. 1/4th of the salaries & wages belongs to

(6) Factory

8. From the following data calculate:

(a) Inventory Turnover Ratio

(b) Average period of holding the stock.

Sales	Rs. 10,00,000
Sales returns	Rs. 1,00,000
Opening stock	Rs. 2,00,000
Closing stock	Rs. 4,00,000

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