

B.Tech III Year II Semester (R09) Supplementary Examinations May/June 2016

MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS

(Mechanical Engineering)

Time: 3 hours

Max Marks: 70

Answer any FIVE questions

All questions carry equal marks

- 1 What is demand? State and explain the law of demand. Are there any exceptions to the law?
- 2 What is the significance of elasticity of demand? Explain different types of elasticity of demand.
- 3 Explain the concept of Breakeven point. Explain the impact of changes in cost or selling price on BEP.
- 4 Define perfect competition market. Explain the important features of perfect competition.
- 5 (a) Define 'Sole Proprietorship' and explain its features.
(b) Discuss the advantages & limitations of Co-operative societies.

- 6 A company has two investment project proposals each costing worth Rs.30, 000; PV factor at the rate of 10% discount. The details of the cash inflows are as follows:

Year	1	2	3	4	5
Project - I	4,000	5,600	4,800	3,000	4,800
Project - II	5,500	6,000	4,500	4,000	2,000

Select the project under using the NPV method.

- 7 (a) Define accounting and explain its functions.
(b) Explain classification of accounts with suitable examples.
- 8 From the following balance sheet of ABC. Ltd., calculate the following ratios:
(a) Current Ratio.
(b) Quick Ratio.
(c) Debt- Equity Ratio. Interpret the ratios.

Balance Sheet of ABC Co. Ltd .as on 31.12.2006

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
Equity Share capital	1,500	Plant and machinery	975
Debentures	400	Debtors	550
Creditors	200	Stock on hand	550
Outstanding expenses	100	Cash balances	375
Profit and loss account	100	Prepaid expenses	50
Bank loan (Long-term)	200		
	2,500		2,500
