

B.Tech II Year II Semester (R15) Regular Examinations May/June 2017

**MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS**

(Common to CE, EEE and ME)

Time: 3 hours

Max. Marks: 70

**PART – A**  
(Compulsory Question)

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- 1 Answer the following: (10 X 02 = 20 Marks)
- (a) Describe scope of managerial economics.
  - (b) When demand is elastic?
  - (c) How do you find the breakeven point?
  - (d) What is Iso-quant?
  - (e) What do you mean by partnership firm?
  - (f) What do you mean by globalization?
  - (g) What is the difference between Bookkeeping and Accounting?
  - (h) What are the liquidity ratios?
  - (i) What do you mean by accounting rate of return?
  - (j) Define Net present value.

**PART – B**  
(Answer all five units, 5 X 10 = 50 Marks)

**UNIT – I**

- 2 Define managerial economics. Explain importance of managerial economics in making business decisions.

**OR**

- 3 What do you mean by demand forecasting? Explain the factors governing demand forecasting.

**UNIT – II**

- 4 What are the economies of scale? How economies of scale can be achieved?

**OR**

- 5 PNG electric company manufactures a number of electric products. Rechargeable light is one of the PNG's products that sells for \$180/unit. Total fixed expenses related to rechargeable electric light are \$270,000 per month and variable expenses involved in manufacturing this product are \$126 per unit. Monthly sales are 8,000 rechargeable lights.

Required:

- 1. Compute break-even point of the company in dollars and units.
- 2. Compute the number of rechargeable lights to be sold to earn a net operating income of \$189,000 per month (use original data).

**UNIT – III**

- 6 The government declared public enterprise as a model employ. Today they are evaluated like any other private organization. Do you think such a shift in the parameters of evaluation justified? What reasons do you think for such a shift?

**OR**

- 7 Can you explain why prices often show less variation under oligopoly than under other types of market structure?

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**UNIT – IV**

- 8 State the meaning of:
- (a) Outstanding expenses.
  - (b) Prepaid expenses.
  - (c) Income received in advance.
  - (d) Accrued income.

**OR**

- 9 Given: Current ratio 2 : 5; Liquidity ratio 1 : 5; working capital Rs. 60,000. Calculate: (a) Current liabilities. (b) Current assets. (c) Liquid assets. (d) Stock.

**UNIT – V**

- 10 Mr. A is considering to invest in a poultry farm. The project will require an initial investment of \$250,000 and is expected to generate the following cash flows thereafter: First year \$-50,000; Second year \$50,000; Third year \$130,000; Fourth year \$110,000; Fifth year \$-100,000; Sixth year \$160,000; Seventh year \$200,000. Calculate the payback period and comment on your answer.

**OR**

- 11 A machine can reduce annual cost by \$40,000. The cost of the machine is \$223,000 and the useful life is 15 years with zero residual value.  
Required: 1. Compute internal rate of return of the machine.  
2. Is it an acceptable investment if cost of capital is 16%?

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