

B.Tech II Year II Semester (R09) Supplementary Examinations January/February 2014

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common to EIE, E.Con.E and ECE)

Time: 3 hours

Max Marks: 70

Answer any FIVE questions

All questions carry equal marks

- 1 Define managerial economics and point out its chief characteristics. How is managerial economics useful to manager?
- 2 Define elasticity of demand. Explain its types and significance.
- 3 Draw total product, average product and marginal product curves on your answer book. Explain how output changes with fixed capital and variable labour inputs.
- 4 Distinguish between market price and normal price. Discuss the significance of time element in the determination of price under perfect competition.
- 5 Discuss the factors that help in choosing a suitable form of business organization in private, and public sector.
- 6 (a) Define capital budgeting. Explain its importance.
(b) How is useful of payback period method? Explain its features and limitations.
- 7 Journalize the following transactions and prepare ledger accounts in the books of Madhava Rao:

2007, January, 1	He started business with a capital of Rs.60,000
4	Bought furniture from Raju Rs.2000
8	Bought goods from Devika & Sons Rs.14,000
12	Sold goods to Mahendra Singh Rs.2000
15	Cash Sales Rs.75,000
18	Sold goods to Rao & Bros. Rs.140000
26	Paid salaries by cheque worth Rs.1000
31	Proprietor personal uses worth Rs.500

- 8 (a) How is quick ratio different from current ratio? How are they helpful in evaluation?
(b) The accounting data of a business unit is as follows.

Liabilities	Rs.	Assets	Rs.
Share capital	11,00,000	Plant and machinery	15,00,000
Mortgage loans	11,50,000	Amounts receivable	12,00,000
Contingent liabilities	6,50,000	Stock on hand	2,00,000
	29,00,000		29,00,000

Calculate: (i) Current ratio, and (ii) Quick ratio.
