

Code No: **R1641054**

**R16**

**Set No. 1**

**IV B.Tech I Semester Regular Examinations, October/November - 2019**

**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**

**(Common to Computer Science and Engineering and Information Technology)**

**Time: 3 hours**

**Max. Marks: 70**

*Question paper consists of Part-A and Part-B*

*Answer ALL sub questions from Part-A*

*Answer any FOUR questions from Part-B*

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**PART-A (14 Marks)**

1. a) Define managerial economics. [2]
- b) Explain about the iso-quants. [2]
- c) What is internet pricing? [3]
- d) Define sole proprietor. [2]
- e) Discuss about depreciation. [3]
- f) Explain about payback period. [2]

**PART-B (4x14 = 56 Marks)**

2. a) What is Demand? Explain determinants of demand. [7]
- b) Explain the scope of Managerial Economics. [7]
3. a) Explain Law of Variable Proportions. [7]
- b) Explain Cobb-Douglas Production Function. [7]
4. a) Explain Perfect Competition and its characteristics. [7]
- b) Explain Oligopoly and price discrimination in Oligopoly market. [7]
5. a) Differentiate between Partnership Firm and Joint Stock Company. [7]
- b) What are Business Cycles? Explain its phases. [7]
6. a) What is the purpose of a Funds Flow statement and compare with Cash Flow statements? [4]



- b) M/s Ramji & Co. provides you with this Profit and Loss Account and Balance Sheet for the previous two years. The Directors are interested in tracking down the activities that generated cash inflows during the year ending 31<sup>st</sup> March 2019. Prepare a Cash Flow statement from details given hereunder:

Balance Sheet of M/s Ramji & Co. as on 31<sup>st</sup> March 2019.

<b>Liabilities</b>	<b>2018</b>	<b>2019</b>	<b>Assets</b>	<b>2018</b>	<b>2019</b>
Equity Share Capital	2,50,000	5,00,000	Fixed Assets(Land)	4,00,000	5,00,000
Preference Share Capital	50,000	20,000	Investments	2,00,000	-
Debentures	1,00,000	40,000	Machinery	1,50,000	3,00,000
Long Term Borrowings	-	30,000	Cash In hand	41,000	2,00,000
Net Profit	1,00,000	1,19,000			
Reserves & Surplus	2,91,000	2,91,000			
	7,91,000	10,00,000		7,91,000	10,00,000
	0				

Profit and Loss Account of M/s Ramji & Co. for the year ending 31<sup>st</sup> March 2019.

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
To Purchases (Cash)	15,000	By Sales(Cash)	30,000
To Salaries and Wages	5,000	By Interest Received	10,000
To Income Tax	1,000	By Dividend Income`	15,000
To Debenture Interest	6,000		
To Dividend (Preference + Equity)	9,000		
To Net Profit	19,000		
	55,000		55000

[10]

7. a) What is Capital Budgeting? Explain briefly methods of project appraisal. [7]
- b) A firm can invest Rs. 1,00,000 in project with a life of 3 years. The projected cash flows are given hereunder. The Cost of capital is 10% per annum. Should the investment be made under NPV method.

Year 1	40,000
Year 2	50,000
Year 3	40,000

[7]



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(Computer Science and Engineering)

**Time: 3 hours**

**Max. Marks: 70**

*Question paper consists of Part-A and Part-B*  
*Answer ALL sub questions from Part-A*  
*Answer any FOUR questions from Part-B*  
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**PART-A (14 Marks)**

1. a) What is Elasticity of demand? [2]  
b) Explain about the opportunity cost. [2]  
c) Discuss average cost pricing. [3]  
d) Explain about partnership firm. [2]  
e) What is current ratio? [3]  
f) Discuss about discounted payback period. [2]

**PART-B (4x14 = 56 Marks)**

2. a) What is Demand Forecasting? Explain different methods in it. [7]  
b) What is Demand Schedule? Explain with the help of a curve. [7]
3. a) What is Law of Returns to Scale? Explain with a diagram. [7]  
b) Explain internal and external economies of scale. [7]
4. a) What is Price Discrimination? How does a discriminating monopolist maximize profits? [7]  
b) What is Kinked Demand Curve? Explain diagrammatically. [7]
5. a) What is Business Cycle? Explain the phases with the help of a diagram. [7]  
b) What are Public Enterprises? Explain its features. [7]
6. a) Explain classification of accounts and rules of debit and credit. [7]  
b) From the following information, you are required to prepare the Balance sheet of M/s Jahnvi Print Media Ltd., as on 31<sup>st</sup> March 2019. The following balances are taken from its books:

Items	Amount	Items	Amount
Equity Share Capital	12,00,000	Loan from Director	1,50,000
Bank Loan	2,00,000	Sundry Creditors	7,50,000
Cash in Hand	1,50,000	Bank Balance	50,000
Provision for tax	1,00,000	Current Liabilities	1,00,000
Reserves	4,00,000	Land	5,00,000
Buildings	10,00,000	Closing Stock	5,50,000
Machinery	2,50,000	Sundry Debtors	2,00,000
Misc. Expenses(to be written off)	1,00,000	Loans and Advances	2,00,000
Bills Receivable	2,00,000	Investment in Shares	3,00,000

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**Set No. 2**

7. a) What is Time value of money? Explain its importance in Capital Budgeting. [7]  
b) A company has to select one of the following projects:

Particulars	A	B
Cost	11,000	10,000
Cash In-flows		
Year 1	6,000	1,000
Year 2	2,000	1,000
Year 3	1,000	2,000
Year 4	5,000	10,000

Expected cost of capital is 10%, Calculate Internal Rate of Return Method, suggest which project is preferable. [7]



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(Computer Science and Engineering)

**Time: 3 hours**

**Max. Marks: 70**

*Question paper consists of Part-A and Part-B*  
*Answer ALL sub questions from Part-A*  
*Answer any FOUR questions from Part-B*  
**\*\*\*\*\***

**PART-A (14 Marks)**

1. a) Define Macro Economics. [2]  
b) Explain the Production Function. [2]  
c) Discuss about in brief Super Normal Profits. [3]  
d) Explain about the Business Cycles. [2]  
e) What is Debt-Equity Ratio? [3]  
f) Define Amortization. [2]

**PART-B (4x14 = 56 Marks)**

2. a) Explain the Law of Supply with the help of Supply Curve. [7]  
b) What is Elasticity of Demand? What are the various factors affecting price elasticity of demand? [7]
3. a) Explain about the Leontief production function. [7]  
b) What is Cost Analysis? Explain different types of cost concepts. [7]
4. a) What is Monopolistic Competition? Explain its characteristics. [7]  
b) What is Price Discrimination? Explain time element of price discrimination. [7]
5. a) What are the features of Sole trading business? What are its advantages and disadvantages? [7]  
b) Explain the meaning and phases of Business Cycles. [7]
6. a) The Balance Sheet of Rao Ltd., as at 31<sup>st</sup> March 2019 is given hereunder:

Liabilities	Amount	Assets	Amount
Share Capital	10,00,000	Goodwill	6,00,000
Resources	3,00,000	Fixed Assets	12,60,000
Profit and Loss Account	2,50,000	Investments(short term)	1,00,000
Secured Loans	8,00,000	Stock	3,60,000
Creditors	2,50,000	Debtors	2,40,000
Bank Overdrafts	1,50,000	Advances	50,000
Provision for taxes	50,000	Cash in hand	90,000
		Cash at bank	1,00,000
	28,00,000		28,00,000

- You are required to calculate: (i) Current Ratio; (ii) Liquid Ratio; (iii) Absolute Liquid Ratio. [7]
- b) Distinguish Funds Flow Statement and Cash Flow statement. [7]

7. a) Briefly explain about discounting and non-discounting methods. [4]
- b) A company is considering two mutually exclusive projects to undertake. The Finance Director thinks that the project with the higher NPV should be chosen where as the Managing Director thinks that the one with higher IRR should be undertaken especially as both the projects have the same initial outlay and length of the life. The Company anticipates a cost of capital is 10% and the net after tax cash flows of the projects are as follows:

<b>Year/Cash Flows</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Project X	(200)	35	80	90	75	20
Project Y	(200)	218	10	10	4	3

- (i) Calculate the NPV of each project.
- (ii) State with reasons which project you would recommend. [10]



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1. a) What is demand forecasting? [2]
- b) Explain the concept of break-even point. [2]
- c) Define market skimming pricing. [3]
- d) Discuss about state enterprises. [2]
- e) Explain the concept of financial statement analysis. [3]
- f) Define sunk cost. [2]

**PART-B (4x14 = 56 Marks)**

2. a) What do you understand by Managerial Economics? Explain its scope. [7]
- b) What is Law of Demand? Explain types of demand and also determinants of demand. [7]
3. a) Explain Law of variable proportions. [7]
- b) What is Cost-Volume-Profit Analysis? Explain its uses. [7]
4. a) What is a Monopoly? Explain price discrimination under Monopoly. [7]
- b) Explain briefly Morris and Williamson's Models of managerial theories. [7]
5. a) What is Partnership business? What are the advantages and disadvantages of partnership? [7]
- b) What are Business Cycles? What are its features and explain the phases? [7]
6. a) Draw a Proforma of a Funds Flow statement and changes in working capital statement. [7]
- b) From the following information, you are required to prepare the Profit and Loss account of M/s Rama Ltd., as on 31<sup>st</sup> March 2019. The following balances are taken from its books:

Items	Amount	Items	Amount
Capital employed	2,00,000	Opening Stock	60,000
Machinery Purchased	1,00,000	Furniture	50,000
Cash Purchases	1,75,000	Cash Sales	3,05,000
Payable to supplier of material	25,000	Additional Expenses	5,000
Credit sales of the year	15,000	Discount Allowed	5,000
Cash Discount on purchases	15,000	Closing Stock	15,000
Salaries paid	25,000		

7. a) Explain Modern Methods of Project Profitability Appraisal. [7]
- b) The project involves a total initial expenditure of Rs. 2,00,000 and its estimated to generate future cash inflows of Rs. 30,000; Rs.38,000; Rs.25,000; Rs.22,000; Rs. 36,000; Rs.40,000; Rs.40,000; Rs. 28,000; Rs. 24,000; and Rs. 24,000 for ten years. Calculate Pay Back Period and Average Rate of Return. [7]