Code No: R1621026 **R16** SET - 1

II B. Tech I Semester Regular/Supplementary Examinations, October/November - 2018
MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
(Com to EEE, ME, ECE, EIE, ECC, AME, AE and Mining Engineering)

Time: 3 hours Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B)**
2. Answer **ALL** the question in **Part-A**
3. Answer any **Four** Questions from **Part-B**

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PART –A

1. a) Explain Law of Supply.
   b) What is Sunk cost?
   c) What are the features of Monopolistic markets?
   d) Explain Business cycle.
   e) What is quick ratio?
   f) Explain time value of money.

PART -B

2. a) What is Income Elasticity of demand?
   b) Explain types of income elasticity of demand.

3. a) Compare and contrast fixed and variable costs.
   b) Explain Cobb-Douglas production function.

4. a) What is internet pricing? Explain types.
   b) Explain the features of perfect competition.

5. a) What is Sole proprietorship?
   b) Explain the features of sole proprietorship.
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6. a) (a) Prepare Trading, Profit and Loss Account as on 31-3-2015 from the Trial Balance of M/sRaghunath Co Ltd.,

Dr Cr

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Purchases	25,200	Sales	61,604
Furniture	1,600	Capital	35,000
Wages	3,500	Creditors	3,903
Machinery	20,000	Purchase Returns	222
Opening Stock	17,525		
Sales Returns	1,200		
Debtors	10,400		
Freight on purchases	200		
Salaries	10,600		
Freight on sales	503		
Rent & Taxes	2,001		
Cash at bank	8,000		
	1,00,729		1,00,729

Adjustments:

i. Closing Stock Rs. 16,800
ii. Outstanding Salaries Rs. 400
iii. Prepaid Rent & Taxes Rs. 201
iv. Provide for Bad Debts Reserve @ 5%
v. Depreciation on Machinery @ 10%
vi. Calculate Interest on Capital @ 5%

7. a. Discuss the traditional methods of capital budgeting.

b. Explain cost of equity and cost of debt.

Code No: R1621026 **R16** SET - 2

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Time: 3 hours Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B)**
2. Answer **ALL** the question in **Part-A**
3. Answer any **FOUR** Questions from **Part-B**

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PART –A

1. a) Explain Profitability Index.
   b) Explain current ratio and return on investment.
   c) What is Partnership firm?
   d) Explain Limit Pricing.
   e) Why breakeven point is important in business?
   f) What is demand schedule?

PART -B

2. a) Explain the scope of managerial economics.
   b) What are the determinants of demand?

3. a) Discuss about Leontief production function.
   b) Distinguish between explicit and implicit costs.

4. a) Explain kinked demand curve in Oligopoly market.
   b) Explain with suitable examples skimming pricing strategy.

5. a) Explain the importance of Business cycle.
   b) What are the various phases of business cycle?

6. a) Journalize the following transactions and post them into ledger
   2015 Jan1 Shyam started business with cash Rs.40,000
   2015 Jan 4 Goods purchased from Gopi Rs.23,000
   2015 Jan6 Goods sold to Rahim Rs. 16,000
   2015 Jan8 Goods returned to GopiRs.5,000
   2015 Jan10 Goods returned by Rahim Rs. 800
   2015 Jan 13 Deposited into bank Rs.3,000
   2015 Jan 15 Interest Received Rs.50
   2015 Jan 31 Salaries Paid Rs. 5,000
   b) Explain about cash flow statement.
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7. a) Distinguish between traditional and modern methods of Capital Budgeting.
   b) Explain time value of money.

Code No: R1621026 **R16** SET - 3

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Time: 3 hours Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B)**
2. Answer **ALL** the question in **Part-A**
3. Answer any **FOUR** Questions from **Part-B**

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PART –A

1. a) What are the limitations of demand?
   b) Explain returns to scale.
   c) What are the features of monopoly market?
   d) Explain about Public enterprises.
   e) Distinguish between funds flow and cash flow statement.
   f) What is the NPV?

PART -B

2. a) Explain cross elasticity of demand.
   b) Discuss managerial economics relationship with other subjects.

3. a) Discuss the Law of Variable proportions.
   b) Explain the managerial significance of Breakeven analysis.

4. a) Discuss any two pricing methods.
   b) Explain the price-output determination in Monopolistic competition.

5. a) Discuss the features of Joint stock company.
   b) Explain Business cycle and its features.

6. a) Distinguish between funds flow and cash flow statements.
   b) Explain Leverage ratios.

7. a A firm is considering two different investment options A and B . Details of both the options are given below: (Rs. in Lakhs).

	Investment Cost	Inflow 1	Inflow 2	Inflow 3
Option A	(25)	10	10	12
Option B	(40)	15	20	24

If discount rate is 10 percent, Suggest the better option based on NPV and IRR.
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Time: 3 hours Max. Marks: 70

Note: 1. Question Paper consists of two parts (**Part-A** and **Part-B)**
2. Answer **ALL** the question in **Part-A**
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PART –A

1. a) What determines the demand?
b) Explain fixed and variable costs.
c) What is opportunity Cost
d) Explain types of companies.
e) Distinguish between Income and revenue.
f) Explain discounted cash flow method in capital budgeting.

PART -B

2. a) Explain Income elasticity of demand and its types.
b) Discuss the consumer survey method of demand forecasting.

3. a) Discuss production function with input variables.
b) Explain cost concepts.

4. a) Compare and contrast Sole proprietorship and Partnership firms.
b) What are the features of joint stock company.

5. a) Distinguish between Perfect and imperfect competition.
b) Explain Average cost pricing and priority pricing.
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6. a) The following balance sheet of 'V' Ltd as on 31st March 2014 and 31st March 2015.

Liabilities	2014	2015	Assets	2014	2015
Share Capital	12,60,000	2,20,000	Building	1,40,000	2,18,000
P&L account	2,50,000	5,00,000	Stock	3,00,000	3,50,000
Creditors	2,30,000	1,80,000	Bank	40,000	80,000
Outstanding Expenses	6,000	3,000	Preliminary Expenses	14,000	12,000
Depreciation on Building	10,000	11,000	Debtors	1,62,000	2,54,000
	6,56,000	9,14,000		6,56,000	9,14,000

Additional Information:

a) During the year a building which was purchased earlier for Rs.14,000 (depreciation written off Rs.1,000) was sold for Rs.1200.

b) A dividend of Rs.40, 000 has been paid during the year. From the above information, you are required to prepare statement showing changes in working capital, Funds Flow statement.

7. a) i) Your father has promised to give you Rs.2, 00,000 in cash on your 25th birthday. Today is your 18th birthday. He wants to know two things: (a) If he decides to make annual payments into a fund after one year, how much will each have to be if the fund pays 8%.
(ii) If he decides to invest a lump sum in the account after one year and let it compound annually, how much will the lump sum be assuming 8% interest in each case.

b) Explain about Payback period and Profitability Index.

Managerial economics is a combination of economics and management. Managerial economics is also called Business Economics. Currently, the term managerial economics has become more popular and seems to displace progressively the term business economics.Â Managerial economics is also described as normative micro-economics of the firm. In other words, it is prescriptive rather than descriptive, unlike Economics. Economic theory, on the other hand, is both positive and normative. Managerial economics deals with the application of the economic concepts,theories,tools and methodologies to solve practical problems in a business.it helps the manager in decision making and acts as a link between practice and theory".[1] It is sometimes referred to as business economics and is a branch of economics that applies microeconomic analysis to decision methods of businesses or other.Â As such, it bridges economic theory and economics in practice.[2] It draws heavily from Managerial Economics help managers to learn the economic principles which are relevant to decision-making in such areas as production, personnel, marketing and finance. A clear understanding of economic principles will help the manager in his activities. For example, XYZ Ltd. has limited financial, human, and physical resources. XYZ Ltd. managers seek to maximize the financial return from these limited resources.