

II B. Tech II Semester Regular/Supplementary Examinations, July - 2023

MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS

(Common to CE, EEE, EIE, ECT, AGE & FE)

Time: 3 hours

Max. Marks: 70

Answer any **FIVE** Questions each Question from each unit

All Questions carry **Equal** Marks

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**UNIT-I**

- 1 a) Briefly explain the types of elasticity of demand? What is the relevance of cross elasticity of demand? [7M]
- b) State the law of demand? Write about the determinants of demand. [7M]

**Or**

- 2 a) What are the factors influencing demand forecasting? List out the most common issues with demand forecasting? [7M]
- b) What is the Elasticity of supply? Explain the types of Elasticity of supply. [7M]

**UNIT-II**

- 3 a) Explain how Isocosts and Isoquants can together help to determine the optimum production for a firm? [7M]
- b) What are the factors of production? How does an iso-quant differ from an indifference curve? [7M]

**Or**

- 4 a) What are economies of scale? What causes economies of scale? [7M]
- b) Explain different types of economies of scale? What are the limitations of economies of scale? [7M]

**UNIT-III**

- 5 a) Briefly explain different market structures. [7M]
- b) How to determine price and output in oligopoly market? [7M]

**Or**

- 6 a) Briefly explain various managerial theories of firm with special focus on Marris and Williamson's model. [7M]
- b) What is joint stock company? Mention its salient features? [7M]

**UNIT-IV**

- 7 a) Distinguish between cash flow and funds flow analysis? Mention the components of funds flow statement. [7M]
- b) What is the difference between ledger and trial balance and balance sheet? Mention the steps in preparation of trial balance sheet. [7M]

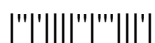
**Or**



- 8 a) What are the types of ratio analysis? Mention the uses and applications of ratio analysis? [4M]
- b) What is journal entry? Mention its features and rules for entry? [10M]  
Pass the **journal entries**:
- ABC traders started a business with a capital of Rs. 1,00,000 on April 10, 2021.
  - April 19, 2021 - Purchased furniture worth Rs. 75,000.
  - April 24, 2021 - Purchased goods on credit from XYZ traders worth Rs. 1,00,000.
  - April 30, 2021 - Rent paid Rs. 50,000.
  - May 2, 2021 - Goods sold for Rs.20,000 at 10% discount.
  - May 15, 2021 - Cash deposited Rs. 50,000 into the bank.

## UNIT-V

- 9 a) Define capital budgeting. Write about the Evaluation methods of capital budgeting. [7M]
- b) What are the categories of projects that can be examined using capital budgeting process? Write about the process of capital budgeting. [7M]
- Or**
- 10 a) Why is capital budgeting important? Briefly explain about discounted cash flow valuation method? [7M]
- b) The cost of a project is Rs.50,000 and it generates cash inflows of Rs.20,000, Rs.15,000, Rs.25,000, and Rs.10,000 over four years. [7M]  
Using the present value index method, appraise the profitability of the proposed investment, assuming a 10% rate of discount.



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UNIT-I

- 1 a) Define managerial economics. Describe the nature of managerial economics. [7M]
 b) State the principles of managerial economics. What are the applications of managerial economics? [7M]

Or

- 2 a) Briefly explain the methods of demand forecasting. [7M]
 b) Discuss about demand schedule importance in detail. [7M]

UNIT-II

- 3 a) Explain various cost concepts? How to calculate marginal cost. [7M]
 b) Assume that as an investor, you are planning to enter the construction industry as a panel formwork supplier. The potential number of forthcoming projects, you forecasted that within two years, your fixed cost for producing formworks is Rs. 300,000. The variable unit cost for making one panel is Rs. 15. The sale price for each panel will be Rs. 25. If you charge Rs. 25 for each panel, how many panels you need to sell in total, in order to start making money? [7M]

Or

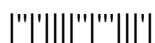
- 4 a) Explain the managerial significance of breakeven point. Mention its potential limitations. [7M]
 b) A manufacturing company supplies its products to construction job sites. The average monthly fixed cost per site is Rs. 4,500, while each unit cost Rs. 35 to produce and selling price is Rs. 50 per unit. Determine the monthly breakeven volume. [7M]

UNIT-III

- 5 a) What are objectives of pricing? Explain types of pricing methods? [7M]
 b) Write about the phases of business cycles. [7M]

Or

- 6 a) What are the characteristics of monopolistic competition? Mention its limitations. [7M]
 b) How to determine price output in monopolistic competition? [7M]



UNIT-IV

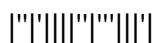
- 7 a) What are the difference between single entry and double entry bookkeeping? [4M]
Why is the double-entry system used?
- b) ABC Company is sole owner of business. He has been started business since [10M]
1990. Following are transaction for the month of August 2021, prepare Journal
Entry, General Ledgers and Trial Balance.
- August 2021**
Aug 3. Reinvestment in the shape of Cash Rs.80,000 and Furniture Rs.20,000.
Aug 5. Cash Sales Rs.10,000 and on account Sales Rs.12,000.
Aug 6. Bought goods from Ahmed Co. Rs.60,000 paid Rs.15,000 cash and
remaining Note payable pay within 30 days.
Aug 9. Purchase Office Equipment from Waseem Shah worth Rupees Rs.99,000,
a cash down payment of Rs.19,000 and balance will be paid by four installments,
first due on 30 August.
Aug 21. Goods return by credit customer of worth Rs.12,000.
Aug 30. Paid first instalment of Rs.20,000.

Or

- 8 a) What are the objectives and advantages of ratio analysis? [7M]
- b) From the following information, calculate current ratio. [7M]
Calculate 'Liquidity Ratio' from the following information:
Current liabilities = Rs. 50,000
Current assets = Rs. 80,000
Inventories = Rs. 20,000
Advance tax = Rs. 5,000
Prepaid expenses = Rs. 5,000

UNIT-V

- 9 a) What are the features of capital budgeting? How does capital budgeting work? [7M]
- b) What are the factors affecting capital budgeting? Describe the process of capital [7M]
budgeting?
- Or**
- 10 a) For a company, from the following information, Calculate net present value. [10M]
Capital investment = Rs.10,000
Expected Inflow in First Year = Rs.1,000
Expected Inflow in Second Year = Rs.2,500
Expected Inflow in Third Year = Rs.3,500
Expected Inflow in Fourth Year = Rs.2,650
Expected Inflow in Fifth Year = Rs.4,150
Discount Rate = 9%
- b) Discuss the significance of discounting method of capital budgeting? [4M]



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## UNIT-I

- 1 a) Explain the nature and scope of managerial economics. [7M]  
b) "Managerial Economics is a Art as well as science" discuss. [7M]

Or

- 2 a) List out the determinants of demand. Define demand forecasting. Mention the types of demand forecasting. [7M]  
b) Explain law of supply with the help of a graph. How does the law of supply work in today's economics? [7M]

## UNIT-II

- 3 a) What is the law of variable proportions? Explain its three stages with the help of a diagram. [7M]  
b) Briefly explain different types of cost concepts with suitable example. [7M]

Or

- 4 a) Briefly explain cost-volume-profit analysis with the help of a diagram. [7M]  
b) A store sells t-shirts. The average selling price is Rs. 15 and the average variable cost (cost price) is Rs. 9. Thus, every time the store sells a shirt it has Rs. 6 remaining after it pays the manufacturer. This Rs. 6 is referred to as the unit contribution. (a) Suppose the fixed costs of operating the store (its operating expenses) are Rs. 100,000 per year. Find Break-even in units? (b) If the owner desired a profit of Rs. 25,000, what will be break-even point in Rupees? [7M]

## UNIT-III

- 5 a) Write the features of partnership. Briefly explain about types of partnerships. [7M]  
b) What are the features of a joint stock company? What are the types of joint stock companies in India? [7M]

Or

- 6 a) What are the characteristics of perfect competition? Give any three examples of perfect market competition in India. [7M]  
b) Identify contemporary pricing techniques used by fast moving consumer goods companies in India. [7M]



## UNIT-IV

- 7 a) List out the objectives of final account? Write about significance of adjustments in Final Accounts. [7M]  
 b) What are the advantages and disadvantages of financial statements? [7M]

Or

- 8 a) State the uses of cash flow statement. How Is Cash Flow Calculated? [7M]  
 b) From the following information, calculate current ratio. [7M]

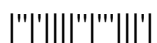
|                             |           |                  |             |
|-----------------------------|-----------|------------------|-------------|
| Trade receivables (debtors) | 1, 00,000 | Bills payable    | Rs.20,000   |
| Prepaid Expenses            | 10,000    | Sundry Creditors | Rs.40,000   |
| Cash and cash equivalents   | 30,000    | Debentures       | Rs.2,00,000 |
| Short term investments      | 20,000    | Inventories      | Rs.40,000   |
| Machinery                   | 7,000     | Expenses Payable | Rs.40,000   |

## UNIT-V

- 9 a) Explain time value of money with example? What are the 3 factors affecting the time value of money? [7M]  
 b) What is the importance of time value of money in financial decision making? How does interest rate affect the time value of money? [7M]

Or

- 10 a) What are various modern and traditional methods of appraising project profitability? [6M]  
 b) The ABC Group wants to diversify its business and plan to take up a new project that requires an initial investment of Rs. Rs.4,00,000. They will pay it off in 4 years. It will generate Rs.40,000 in the first year, Rs.80,000 in the second year, Rs.16,00,000 in the third year, and Rs.2,59,600 in the fourth year. Find out the feasibility of this investment project if the discount rate is 8%. [8M]



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UNIT-I

- 1 a) Define managerial economics and describe its relationship with other disciplines [7M]
 b) What are the tools and techniques used in managerial economics? Give examples of managerial economics used to achieve all the goals of a business organization in an efficient manner. [7M]

Or

- 2 a) What are the exceptions to the law of demand? Explain income elasticity of demand with the help of a diagram. [7M]
 b) What is the need of demand forecasting? Explain the process of demand forecasting. [7M]

UNIT-II

- 3 a) What Is an Isoquant in economics? What are the properties of iso-quant curve? [7M]
 b) Explain the concept of Economies of Scale. [7M]

Or

- 4 a) Define opportunity cost? Why is opportunity cost important in managerial decision-making? [4M]
 b) ABC cellular company sells phones for Rs.200. The unit variable cost per phone is Rs.50 plus a selling commission of 15%. Fixed manufacturing costs total Rs.1,350 per month, while fixed selling and administrative costs total Rs.3,000. Find (i) What is the contribution margin per phone? (ii) what is the breakeven point in phones? (iii) How many phones must be sold to earn a targeted profit of Rs.7,500? [10M]

UNIT-III

- 5 a) What are the legal documents required for a joint stock company? Write about Article of Association. [7M]
 b) What is market skimming pricing? What are its advantages and disadvantages? [7M]

Or

- 6 a) What is monopolistic market competition? What are its features? Mention its advantages and disadvantages. [7M]
 b) What is marginal cost plus pricing? What are its advantages and disadvantages? [7M]

UNIT-IV

- 7 a) What is trail balance? Discuss the advantage of trial balance? [4M]
- b) XYZ Ltd., wants to start a new clothing business. He has a total sum of Rs.100,000 in his savings that can be invested. In addition, he owns a small shop at a primary location that can be used to start a retail clothing outlet. He purchased furniture, including shelves, a counter desk, and other equipment for the store for Rs.15,000. He also hires a staff of two for customer support and other office work for Rs.5, 000 each. [10M]
- XYZ Ltd., decided to start with men's clothing and purchased a complete range of clothes from the wholesale market, which cost him around Rs.75,000. The initial purchase got sold in not more than one month for Rs.95000.
- XYZ Ltd., wants to journalize these transactions and create ledger accounts for April 2021.

Or

- 8 a) What is funds flow statement? What are its objectives? How is it prepared? [7M]
- b) Following information is available for the year 2021-22, calculate profitability ratios: [7M]

Revenue from Operations: Cash	Rs. 25,000
Credit	Rs. 75,000
Purchases: Cash	Rs. 15,000
Credit	Rs. 60,000
Carriage Inwards	Rs. 2,000
Salaries	Rs. 25,000
Decrease in Inventory	Rs. 10,000
Return Outwards	Rs. 2,000
Wages	Rs. 5,000

UNIT-V

- 9 a) Write about capital budgeting? What are the potential pitfalls to avoid while preparing a capital budgeting analysis? [7M]
- b) What is discounted cash flow? Compare and contrast between discounted Cash Flow and non- discounted Cash Flow. [7M]

Or

- 10 a) How to decide whether to use IRR or NPV for capital budgeting analysis. [6M]
- b) Company A ltd wanted to know their net present value of cash flow if they invest Rs.1,00,000 today. And their initial investment in the project is Rs.80,000 for the 3 years of time, and they are expecting the rate of return is 10% yearly. From the above available information, calculate the NPV. [8M]

