

II B.Tech II Semester Supplementary Examinations, Aug/Sep 2007
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Electrical & Electronic Engineering, Electronics & Communication Engineering, Computer Science & Engineering, Electronics & Instrumentation Engineering, Bio-Medical Engineering, Information Technology, Electronics & Control Engineering, Mechatronics and Computer Science & Systems Engineering)

Time: 3 hours

Max Marks: 80

Answer any FIVE Questions
All Questions carry equal marks

1. Elaborate the importance of managerial economics in decision making. [16]
2. Explain and illustrate the following: and also mention why do they arise
 - (a) The Law of constant Returns.
 - (b) The Law of increasing Returns. [8+8]
3. (a) Explain the concept of "Break-Even Analysis" and point out its assumptions.
(b) How do you determine BEP? Illustrate with assumed data. [8+8]
4. Monopoly is disappearing from markets. Do you agree with this statement? Do you advocate for monopoly to continue in market situations? [8+8]
5. Discuss the factors that help in choosing a suitable form of Business Organization in private, and public sector. [16]
6. Define 'Accounting rate of return' 'and Pay back period method'? Compare and contrast the two. Illustrate with assumed data. [16]
7. Journalise the following transactions and post them to ledger. [16]
 1. Ram invests Rs. 10,000 in cash.
 2. He bought goods worth Rs. 2,000 from Shyam.
 3. He bought a machine for Rs. 5,000 from Lakshman on account
 4. He paid to Lakshman Rs. 2,000
 5. He sold goods for cash Rs. 3,000
 6. He sold goods to A on account Rs. 4,000
 7. He paid to Shyam Rs. 1,000
 8. He received amount from A Rs. 2,000
8. The following are the extracts from the financial statements of Blue and Red Ltd., as on 31st March 2001 and 2002 respectively.

	<u>31 March 2001</u>	<u>31 march 2002</u>
	Rs.	Rs.
Stock	10,000	25,000
Debtors	20,000	20,000
Bills receivables	10,000	5,000
Cash in hand	18,000	15,000
Bills payable	15,000	20,000
bank overdraft	-	2,000
9%debentures	5,00,000	5,00,000
Sales for the year	3,50,000	3,00,000
Gross profit	70,000	50,000

Compute for both the years the following:

- (a) Current ratio
- (b) Acid ratio
- (c) Stock turnover ratio. Also interpret the results.

[5+5+6]

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1. Discuss the utility of demand forecasting. What is the criteria of a good forecasting method? For [4+6+6]
 - (a) new products
 - (b) Existing products.
2. Explain and illustrate the following: and also mention why do they arise
 - (a) The Law of constant Returns.
 - (b) The Law of increasing Returns. [8+8]
3. What is opportunity Cost? Give some examples of opportunity cost. How are these costs relevant for managerial decisions? [5+5+6]
4. What is Price discrimination? Discuss the different ways of Price discrimination. [6+10]
5. Discuss the factors affecting the choice of forms of business organization. [16]
6. Given that a project yields the following cash inflows for six years at an original cost of Rs.50,000,

Year	Cash inflows after taxes Rs.
1	10,000
2	16,000
3	24,000
4	30,000
5	3,00,000
6	30,000

[16]

7. Journalise the following transactions and post them to ledger. [16]
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8. Write a brief note on the importance of ratio analysis to different category of users. [16]

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1. Define price - elasticity of demand. What are the various degrees of price elasticity. Illustrate graphically. What factors enable us to find whether the degree of demand for a product is elastic or inelastic? [4+4+2+6]
2. Explain and illustrate the following: and also mention why do they arise
 - (a) The Law of constant Returns.
 - (b) The Law of increasing Returns. [8+8]
3. What are the components in a 'break even chart'? How is it prepared ? What are the assumptions for adopting 'Break even theory'? [5+5+6]
4. How does an individual firm behave under perfect competition. Also explain the firm and industry equilibrium under perfect competition. Supplement your answer with suitable diagrams. [8+8]
5. Define a Public Enterprise? What are the different types? Explain in brief. [16]
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1. Elaborate the importance of managerial economics in decision making. [16]
2. Explain briefly the relationship between total physical product average, and marginal physical product. With the help of assumed data represent graphically. [8+8]
3. What is opportunity Cost? Give some examples of opportunity cost. How are these costs relevant for managerial decisions? [5+5+6]
4. Compare and contrast perfect competition and Monopolistic competition. [8+8]
5. What are the different problems that are encountered by public enterprises? [16]
6. Define 'Accounting rate of return' 'and Pay back period method'? Compare and contrast the two. Illustrate with assumed data. [16]
7. Journalise the following transactions and post them to ledger. [16]
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