

Code No: 114DC

**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD****B.Tech II Year II Semester Examinations, December - 2017****MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS****(Common to EEE, PTM)****Time: 3 Hours****Max. Marks: 75****Note:** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

**PART- A****(25 Marks)**

1. Briefly explain the following:
  - a) Promotional Elasticity of Demand. [2]
  - b) Delphi Technique. [3]
  - c) BEP Chart. [2]
  - d) Cobb-Douglas Production Function. [3]
  - e) Types of Monopoly [2]
  - f) Pricing under Monopoly [3]
  - g) Average Rate of Return [2]
  - h) Significance of Capital budgeting [3]
  - i) Advantages of Double Entry System [2]
  - j) Earnings per 4 share. [3]

**PART-B****(50 Marks)**

- 2.a) Define Managerial Economics. Explain the difference between micro and macro economics.
- b) Discuss briefly the various methods of demand forecasting for a new product. [5+5]

**OR**

3. Define 'Elasticity of Demand'. How it is classified? What factors influence price elasticity? [10]
- 4.a) How is business organization focus on reduction of cost with economies of scale?
- b) What is Iso-Quants? Explain features and types of iso-quants. [5+5]

**OR**

- 5.a) You are given the following information for the year 2003 of XYZ Co. Ltd:

Variable Cost	6,00,000	60%
Fixed Cost	3,00,000	30%
Net Profit	<u>1,00,000</u>	<u>10%</u>
	<u>10,00,000</u>	<u>100%</u>

Find out i) Break Even Point in units and sales ii) PV Ratio iii) Margin of Safety iv) Number of units that must be sold to earn a profit of 5,00,000 v) How many units must be sold to earn a net income of 13.5% of sales.

- b) What is Cost function? Explain short run cost function briefly. [5+5]

- 6.a) Explain the concept of price determination in perfect market competition based on time.
- b) Define public enterprises. Explain advantages and limitations of various public enterprises. Under what conditions Government can enter into business? [5+5]

**OR**

- 7.a) Define partnership. Explain role, responsibilities and duties of a partner.
- b) Explain the difference between perfect market and monopoly. [5+5]
- 8.a) What do you understand by 'working capital cycle'. What are its components? Show diagrammatically?
- b) Explain various sources of capital. [5+5]

**OR**

- 9.a) The Alpha co Ltd. is considering the purchase of a new machine. Two alternative machine (A and B) have been suggested each costing Rs. 4,00,000. Earning after taxation are expected to be as follows:

Year	Cash Flows	
	Machine A	Machine B
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

- The Company has targeted return on capital 10% and on this basis, you are required to compare the profitability of the machines and state which alternative you consider financially preferable.
- b) Distinguish between 'Fixed capital' and 'working capital'. Discuss in detail various factors that influence the volume of working capital required by a manufacturing organization. [5+5]

- 10.a) Prepare Journal Entries and Ledger Accounts (Cash A/c, Arvind Walia A/c, Amrit Lal A/c, Bank A/c, Sales A/c) from the following transactions in Imran books

	RS.
1-June-1996 Started Business with cash	45,000
1-June-1996 Paid into Bank	25,000
2-June-1996 Goods purchased for cash	15,000
3-June-1996 Purchase of furniture and payment by cheque	5,000
5-June-1996 Sold goods for cash	8,500
8-June-1996 Sold goods to Arvind Walia	4,000
10-June-1996 Goods purchased from Amrit Lal	7,000
12-June-1996 Goods returned to Amrit Lal	1,000
15-June-1996 Goods returned by Arvind Walia	200
18-June-1996 Cash received from Arvind Walid Rs. 3,760 and discount allowed to him 40.	
21-June-1996 Withdrew from bank for private use	1,000
Withdrew from bank for use in the business	5,000
25-June-1996 Paid telephone rent for one year	400
28-June-1996 Cash paid to Amrit Lal in full settlement of his A/c	5,940
30-June-1996 Paid for Stationery 200, Rent 1,000 Salaries 2,500	

- b) From the following Balance Sheet of Depika Ltd; compute i) Equity ratio of Proprietary Ratio ii) Debt-Equity Ratio iii) Funded debt to capitalization ratio iv) Fixed Assets to Net Worth Ratio v) Solvency Ratio vi) Current Ratio to Proprietor's Fund Ratio vii) Fixed Assets Ratio. [5+5]

Liabilities	Amount	Assets	Amount
Equity Share Capital	3,00,000	Goodwill	90,000
9% Preference Share Capital	1,50,000	Land & Building	1,00,000
Reserve Fund	50,000	Plant & Machinery	2,50,000
Profit & Loss A/c	20,000	Equipment	60,000
Share Premium	10,000	Furniture & Fittings	80,000
8% Debentures	2,00,000	Sundry Debtors 92,000	
6% Mortgage Loan	60,000	Less Provisions <u>2,000</u>	90,000
Sundry Creditors	80,000		
Income Tax Provision	20,000	Bills Receivables	1,00,000
Depreciation Fund	50,000	Stock in hand	1,20,000
		Cash	45,500
		Prepaid insurance	1,500
		Preliminary Expenses	2,000
		Discount on Issue of Debentures	1,000
	<b>9,40,000</b>		<b>9,40,000</b>

OR

- 11.a) What is ratio? Explain various types of ratios and its advantages.  
 b) From the following balances and adjustments prepare final accounts as on 31.03.2013

Purchases	65,000	Bank Overdraft	8,000
Sales	1,20,000	Capital Account	60,000
Opening Stock	15,000	Bad Debts Reserve	2,500
Purchase Returns	1,500	Debtors Discount Reserve	2,000
Sales Returns	2,000	Plant & Machinery	20,000
Sundry Creditors	18,000	Land & Buildings	50,000
Salaries	4,000	Factory Expenses	600
Carriage	800	Wages	600
Bills Payable	10,000	Insurance	600
Advertisements Exp.	1,500	General Expenses	400
Commission paid	200	Sundry Debtors	15,000
Bad Debts	400	Bills Receivables	19,000
Discount (Dr.)	300	Cash in Hand	600
Creditors Discount Reserve	800	Drawings	2,400
Goodwill	20,000		

**Adjustment:**

- i) Closing Stock Rs. 12,000
- ii) Prepaid Insurance Rs. 150
- iii) Outstanding Expenses Wages Rs. 400, Salaries Rs. 1,200
- iv) Bad Debts to be written off Rs. 600 and provide Bad Debts Reserve @ 5% on Debtors
- v) Provide 2% Discount Reserve on Debtors and Creditors
- vi) Depreciation is to be calculated 10% on Plant and Machinery and 5% on Land and Buildings.

[5+5]

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