

Code No: 115EG**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD****B. Tech III Year I Semester Examinations, March - 2017****MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS****(Common to AME, EIE, IT, ME, MCT, MIE, MSNT)****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.a) Which among the branches of economics looks closer to managerial economics? Why? [2]
- b) Define income elasticity of demand. [3]
- c) What is opportunity cost? [2]
- d) What are semi variable costs? Give suitable examples. [3]
- e) What is monopsony? [2]
- f) What is transfer pricing? [3]
- g) How do you calculate Payback period if annual cash flows are uneven? [2]
- h) Why present value of future earnings is always lesser than future values? [3]
- i) What are capital receipts? Give suitable examples. [2]
- j) What do you understand by the term 'liquidity'? [3]

PART - B**(50 Marks)**

- 2.a) Draw up an imaginary demand schedule indicating quantity demanded for a specific type of 'ADIDAS sports shoes' at five different prices.
- b) What are the determinants of demand? [5+5]

OR

- 3.a) Calculate the cross elasticity of demand given that the demand for coffee is 50 tonnes per month at a place when the price of tea is Rs 400 per kilogram and shoots up to 60 tonne when the price of tea goes up to Rs.500 per kilogram.
- b) Explain the moving average and the exponential smoothing methods of demand forecasting. [5+5]
- 4.a) What is break- even price and quantity? What are the assumptions of breakeven analysis?
- b) What is production function with two variable inputs? Illustrate your answer with example. [5+5]

OR

- 5.a) Show 'cost- output relationship' in the short run indicating the behavior of marginal cost, average total cost, average variable cost and average fixed cost.
- b) A company buys a small fabricated part from a supplier who charges Rs. 200 per piece. The quantity requirement for the part annually is 800 pieces. If the company has to make it, it has to invest Rs.8,00,000 on machinery and the variable costs in terms labour and other direct cost works out to Rs.40. Suggest whether the company should continue buying the parts or make it, on its own. [5+5]

- 6.a) What is 'Prospectus' issued by a company? What are its contents?
 b) What are the features of perfect competition? [5+5]

OR

- 7.a) What are the obligations and liabilities of partners in a partnership?
 b) What are the various methods of cost- based pricing? [5+5]

- 8.a) What are the components of working capital? Represent the same in a diagram.
 b) ABC Ltd. is considering investing in a project that costs Rs.50,00,000. The estimated salvage value is zero. The cash flow for the next 4 years is as follows:

year	cash flow in rupees
1	28,50,000
2	25,00,000
3	20,00,000
4	15,00,000

Determine Average Rate of Return. [5+5]

OR

- 9.a) Given the values of Rs.5,00,000 for sales, Rs.2,40,000 for cost of goods sold and Rs.60,000 for inventory in a company, what is its inventory turnover?
 b) Define NPV and give the formula to compute NPV.
 c) What are the long term sources of finance? Explain them very briefly. [3+2+5]

- 10.a) The following are the values of the current assets of a company:
- | | |
|----------------|---------------|
| Inventories | Rs. 45,00,000 |
| Sundry debtors | 40,00,000 |
| Cash | 8,50,000 |

To maintain a current ratio of 3:2 how much the company can have in current liabilities? Also calculate its acid-test ratio.

- b) Define Operating ratio and EPS. [5+5]

OR

11. Journalize the following transaction and post them to ledger.

- Ram invests Rs. 10,000 in cash on 01/10/16.
- He bought goods worth Rs. from Shyam on 04/10/16
- He bought a machine for Rs. 5,000 from Lakshman on account on 06/10/16.
- He paid to Lakshman Rs. 2,000 on 07/10/16.
- He sold goods to A on account Rs.4,000 on 08/10/16.
- He sold goods for cash Rs. 3000 on 09/10/16.
- He paid to Shyam Rs.1,000 on 10/10/16.
- He received amount from A Rs. 2,000 on 11/10/16

[10]