

II B. Tech I Semester Supplementary Examinations, May - 2018
MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
 (Common 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

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|-------|---|-------|
| 1. a) | Explain the Scope of Managerial Economics | (2 M) |
| b) | Discuss Economies of Scale | (3M) |
| c) | Explain the features of monopoly. | (2M) |
| d) | Explain Sole trader problem | (2M) |
| e) | Write the Format of funds flow statement | (3M) |
| f) | Explain IRR significance | (2M) |

PART -B

- | | | |
|-------|---|------|
| 2. a) | What is managerial economics? Explain its nature and scope. | (7M) |
| b) | Define demand and explain the determinants of demand. | (7M) |
| 3. a) | Write differences between Explicit and Implicit Costs | (7M) |
| b) | ABC firm has a fixed cost of Rs.500000/-; selling price per unit is Rs.500/- and variable cost per unit is Rs.250/- present level of production is 35000 units, calculate BEP in terms of volume and sales value. | (7M) |
| 4. a) | Explain the significance of Monopolistic Competition market | (7M) |
| b) | Explain the Williamson's managerial theory of a firm. | (7M) |
| 5. a) | What is sole trading? Explain the merits and demerits of sole trading. | (7M) |
| b) | Define business cycles. Discuss the phases of business cycles. | (7M) |
| 6. a) | What do you understand by the analysis and interpretation of financial statements? | (7M) |
| b) | From the following information you required to calculate net profit and cash from operations:
Opening stock Rs,10,000/-; Purchases Rs.30,000/-; Sales Rs.50,000/-; Closing stock Rs.15,000/- and Expenses Rs. 10,000/- | (7M) |
| 7. a) | Discuss the traditional methods of project appraising. | (7M) |
| b) | What is NPV? How it calculates and explains the acceptance rule of NPV? | (7M) |



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1. a) Draw the demand curve. (2 M)
- b) What is CVP analysis? (3M)
- c) Explain the skimming pricing. (2M)
- d) What is business cycle? (2M)
- e) Explain about balance sheet ratios. (3M)
- f) What is payback period? (2M)

PART -B

2. a) What is managerial economics? Explain its relation with the other subjects. (7M)
- b) Explain the concept of supply and its assumptions. (7M)
3. a) A company budgeted output is 80000 units fixed expenses is Rs.400000/-; variable expenses per unit is Rs.10/- and selling price per unit is Rs.20/- calculate BEP and draw the breakeven chart. (7M)
- b) Explain the production function and what are the assumptions in it? (7M)
4. a) What is optimum firm? Explain how differences in efficiency reflect in the output. (7M)
- b) Explain the Marris managerial theory of a firm. (7M)
5. a) What is joint stock company? Explain the futures of joint stock company. (7M)
- b) Explain the forms of business organizations. (7M)
6. a) "Analysis without interpretation is meaningless and interpretation without analysis is impossible" discuss. (7M)
- b) Find out the working capital turnover ratio: (7M)
Cash Rs. 10000/-; Bills receivables Rs.5000/-; Sundry Debtors Rs.25000/- ;
Stock Rs.20000/- ; Sundry Creditors Rs.30000/- and Cost of sales Rs.150000.
7. a) What is capital budgeting? Explain its importance for project appraising. (7M)
- b) Explain the IRR and Profitability Index. (7M)

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PART -A

1. a) Define Law of demand. (2 M)
- b) Explain fixed costs. (2M)
- c) What is priority pricing? (2M)
- d) Explain about partnership firm. (2M)
- e) What are the financial statements for analysis. (3M)
- f) What is Discounting cash flows? (3M)

PART -B

2. a) Define demand. Explain the demand schedule. (7M)
- b) Explain the demand forecasting methods. (7M)
3. a) What are different cost concepts in production? (7M)
- b) What is meant by Break-even analysis? Discuss the assumptions and the limitations of this technique. (7M)
4. a) How does the equilibrium of a firm under perfect competition differ from monopoly? (7M)
- b) Explain the monopoly and oligopoly market structure and features. (7M)
5. a) What is public enterprise? Explain the features of public enterprises (7M)
- b) Explain the meaning and phases of business cycles. (7M)
6. a) Explain the meaning, importance and objectives of funds flow statement. (7M)
- b) What is ratio analysis? Discuss the significance of balance sheet ratios. (7M)
7. a) A project costing Rs.80000/- Annual cash inflows of Rs.40000/- after taxes for a period of six years. How much is the NPV if the firm expects 15% per annum (7M)
- b) Explain the nature, significance and objectives of capital budgeting. (7M)



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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.



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.



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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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SET - 2

7. a) Distinguish between traditional and modern methods of Capital Budgeting.
- b) Explain time value of money.



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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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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.



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.

