

**II B. Tech I Semester Regular Examinations, Dec - 2015**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
 (Com. to ME, ECE, CSE, IT, ECC, MTE)

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 **THREE** Questions from **Part-B**

**PART -A**

1. a) Identify nature of managerial economics through its definitions (4M)
- b) Identify formula for any one method of measuring demand elasticity and describe variables used in it. (4M)
- c) What are the uses of Cobb-Douglas production functions and where it can be applicable? (4M)
- d) What are the different phases in business cycle and explain with the help of graph (4M)
- e) Explain the convention of "Conservatism" in accounting (3M)
- f) What is IRR and identify suitable formula for Internal Rate of Return (3M)

**PART -B**

2. a) What is the importance and uses of Managerial Economics to Engineers? How can use these concepts to Manufacturing Sector? (8M)
- b) What are the objectives & uses of demand forecasting? How do you predict demand for Steel Manufacturing? (8M)
3. a) List different internal & external economies of scale of for Chemicals Production Units like Ranbaxy Labs Ltd. & Dr. Reddy Labs Ltd.? (8M)
- b) Determine BEP, P/V Ratio and Sales level for a profit of Rs.15.00 Lakhs, if Fixed Cost is Rs.25.00 Lakhs, Sales is Rs.175.00 Lakhs and Variable Cost is Rs.170.00 Lakhs. (8M)
4. a) Differentiate features Monopolistic & Oligopolistic Markets (8M)
- b) Explain in detail different stages of business life cycle, how recessionary trends influence Capital Goods Sector? (8M)
5. a) What is a Business Cycle and explain different stages of business cycle? (8M)
- b) Differentiate Memorandum & Articles of Association? (8M)



6. a) Journalise following transactions in the Books of M/S. Telugunadu Industries Ltd., for the month of Oct-15 (8M)

Date	Transaction Description	Amount Rs.
01-10-2015	Business Commenced with Cash	5,00,000/-
03-10-2015	Deposited in Costal Andhra Bank	3,00,000/-
07-10-2015	Purchased Goods from M/s. LCB Ltd.	25,00,000/-
09-10-2015	Sold Goods to M/s. ANL Ltd.	50,00,000/-
15-10-2015	Purchased Motor Vehicle from M/s.TML Ltd.	10,00,000/-
21-10-2015	Purchased Office Furniture from M/s. Godrej Ltd.	2,00,000/-
30-10-2015	Withdrawn Cash for office purpose	1,00,000/-
31-10-2015	Paid Salaries & Rent in Cash	75,000/-

- b) Determine Current Ratio, Quick Ratio, Cash Ratio & Working Capital Ratios (8M) with the help of following information:

Description	Amount Rs.
Cash & Bank Balances	11,50,000/-
Marketable Securities	5,00,000/-
Prepaid Expenses	1,50,000/
Outstanding Expenses	2,25,000/
Short Term Investments & Term Deposits	8,00,000/
Debtors & Bills Receivables	25,00,000/
Creditors & Bills payables	10,00,000/
Provision for Divided & Taxation	1,45,000/
Short Term Bank Loans	4,00,000/
Inventory	2,75,000/

7. a) Compare merits & demerits of Pay Back Period & Accounting Rate of Return Methods (8M)

- b) Determine Accounting Rate of Return(ARR) for the following two projects, if Company follows Straight Line Method of Depreciation and consider scrap value (8M)

Description	Project-A	Project-B
	Cash Flow Rs.	Cash Flow Rs.
Initial Cost of Investment	125000	150000
I Year	35000	45000
II Year	40000	55000
III Year	45000	40000
IV Year	50000	65000
V Year	20000	35000
Salvage Value	20000	25000



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**PART -A**

1. a) Identify different scope areas of managerial economics? (4M)
- b) Compare Point & Arc Elasticity of Demand (4M)
- c) Explain Law of Variable Proportion? (4M)
- d) List various features of Joint Stock Company. (4M)
- e) Compare the convention of "Consistency & Full Disclosure" in accounting (3M)
- f) List & identify formula for Net Present Value & Profitability Index (3M)

**PART -B**

2. a) What is the law of Demand? What are the different factors influencing Demand? (8M)
- b) What are the objectives & uses of elasticity demand? Differentiate Promotional & Cross Elasticity of demand? (8M)
3. a) Explain the law of diminishing marginal utility with the help of suitable graph under different stages of return of scale? (8M)
- b) Determine BEP, P/V Ratio and Sales level for a profit of Rs.25.00 Lakhs, if Fixed Cost is Rs.15.00 Lakhs, Sales is Rs.190.00 Lakhs and Variable Cost is Rs.180.00 Lakhs. (8M)
4. a) Differentiate features Perfect & Monopoly Markets (8M)
- b) List different methods of pricing and explain any four of them in detail. (8M)
5. a) Compare features & limitations of Partnership to that of Sole Trader form of business. (8M)
- b) Differentiate features of Private Limited Company to that of Public Limited Company? (8M)



6. a) Prepare Three Column Cash Book following transactions in the Books of M/s. (8M)  
Mahanadu Manufacturers Ltd., for the month of Oct-15

Date	Transaction Description	Amount Rs.
01-10-2015	Opening Balance of Cash	5,00,000/-
03-10-2015	Costal Andhra Bank Balance	3,00,000/-
07-10-2015	Purchased Goods from M/s. LCB Ltd. on Credit	25,00,000/-
09-10-2015	Sold Goods to M/s. ANL Ltd. on Credit	50,00,000/-
11-10-2015	Received a bank cheque from M/s. ANL Ltd & requested for a discount of Rs. 1.00 Lakh accepted	49,00,000/-
13-10-2015	Paid to M/s, LCB Ltd	10,00,000/-
15-10-2015	Purchased Motor Vehicle from M/s.TML Ltd. for Rs. 10,50,000/- Paid Down Payment of Rs. 50,000/- through Bank	10,50,000/-
21-10-2015	Purchased Office Furniture from M/s. Godrej Ltd. and paid through bank	1,00,000/-
25-10-2015	Withdrawn Cash for office purpose	1,00,000/-
28-10-2015	Paid Salaries & Rent in Cash	75,000/-
30-10-2015	Interest payable	50,000/-
31-10-2015	Income Tax Payable	3,00,000/-

- b) Determine Debt-Equity Ratio, Proprietary Ratio and Funds Proportion Ratios (8M) with the help of following information:

Description	Amount Rs.
Equity Capital	10,00,000/-
Profit & Loss A/C(Profit)	5,00,000/-
Reserves & Surplus	3,00,000/
Premium on Issue of Shares & Debentures	2,50,000/
Debentures	30,00,000/
Long Term Fixed Deposits Accepted	5,00,000/
Long Term Bank Loans	15,00,000/
Provision for Divided & Taxation	1,50,000/
Short Term Bank Loans	5,00,000/
Fixed Assets	45,75,000/

7. a) Compare merits & demerits of Net Present Value Method & Internal Rate of Return Methods (8M)

- b) Determine NPV, Profitability Index and Internal Rate of Return(IRR) for the following project. (8M)

Description	Project-A Cash Flow Rs.	PV Factor 15%	PV Factor 20%
Initial Cost of Investment	225000	1.000	1.000
I Year	55000	0.870	0.833
II Year	45000	0.756	0.694
III Year	75000	0.658	0.579
IV Year	58000	0.572	0.482
V Year	29000	0.497	0.402
Salvage Value	24000	0.497	0.402



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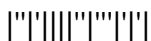
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**PART -A**

1. a) Differentiate Producer Durable & Non Durable and Consumer Durable & Non Durable Goods Demand? (4M)
- b) How demand is forecasted through method of least squares method? (4M)
- c) Explain Returns to Scale with the help of graph? (4M)
- d) List various features of Departmental Type of Undertaking. (4M)
- e) List & explain various functions of accounting (3M)
- f) List & explain various steps involved in Capital Budgeting (3M)

**PART -B**

2. a) What are different distinctions of Demand? (8M)
  - b) What is price elasticity of demand? Explain Relatively Elastic, Relatively Inelastic, Unity Elastic. (8M)
  3. a) Explain the least cost input output combinations with suitable graphs? (8M)
  - b) Determine P/V Ratio, Fixed Cost and BEP with the help of following information: (8M)
- | Description       | 2014-15 | 2015-16 |
|-------------------|---------|---------|
| Sales(Rs. Lakhs)  | 10.00   | 50.00   |
| Profit(Rs. Lakhs) | 2.50    | 22.50   |
4. a) How Price & Output determined under Perfect Competition in Short Run for Industry & Firm? Explain with the help of graphs. (8M)
  - b) What are the objectives and situation behind pricing strategies and explain cost based pricing methods. (8M)
  5. a) Compare Objectives, features & limitations of Co-operative type of organisation. (8M)
  - b) What are the objectives & limitations of state enterprises? (8M)



6. a) Prepare Three Column Cash Book following transactions in the Books of M/s. Indo-Japan Consultants Ltd., for the month of Oct-15 (8M)

Date	Transaction Description	Amount Rs.
01-10-2015	Opening Balance of Cash	15,00,000/-
04-10-2015	Rayalaseema Bank Balance	30,00,000/-
05-10-2015	Purchased Goods on Credit	20,00,000/-
10-10-2015	Sold Goods on Credit	50,00,000/-
12-10-2015	Received a bank cheque from Mr. Srinivas	40,00,000/-
14-10-2015	Paid to M/s, LCB Ltd	10,00,000/-
16-10-2015	Purchased Motor Vehicle from M/s.SML Paid Down Payment through cash	1,50,000/-
18-10-2015	Purchased Office Furniture from M/s. Godrej Ltd. and paid through bank	1,50,000/-
20-10-2015	Withdrawn Cash for office purpose	4,00,000/-
22-10-2015	Paid Salaries & Wages through Bank	2,75,000/-
24-10-2015	Interest credited in bank	50,000/-
26-10-2015	Income Tax Paid	2,00,000/-
28-10-2015	Deposited Cash in Bank	25,000/-
30-10-2015	Received cheque from Mr. Pullarao	2,50,000/-

- b) Determine Interest Coverage and equity Ratio and Debt Ratio with the help of following information: (8M)

Description	Amount Rs.
EBIT	50,00,000/-
Taxation	50%
Long Term Institutional Loans( Repayable 5 Years) and 10% Interest	10,00,000/
5 Years 12% Debentures	50,00,000/
Long Term Bank Working Capital Loan for 5 Years at an interest of 30%	15,00,000/-

7. a) How do you estimate cash flow? Compare merits & demerits of traditional methods & DCF methods. (8M)

- b) Determine NPV, Profitability Index and Internal Rate of Return(IRR) for the following project. (8M)

Description	Project-A Cash Flow Rs.	PV Factor 15%	PV Factor 20%
Initial Cost of Investment	900000	1.000	1.000
I Year	350000	0.870	0.833
II Year	400000	0.756	0.694
III Year	245000	0.658	0.579
IV Year	350000	0.572	0.482
V Year	220000	0.497	0.402
Salvage Value	120000	0.497	0.402



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**PART -A**

1. a) How knowledge of Economics, Management and Operations Research helpful in decision making? (4M)
- b) List qualitative methods of demand forecasting and explain opinion poll methods? (4M)
- c) Identify properties of Iso-Product Curves with the help of graph? (4M)
- d) Differentiate Privatisation & Liberlisation concepts. (4M)
- e) List & explain different types of errors in preparation of trial balance. (3M)
- f) Nature of Capital Budgeting Project Decisions (3M)

**PART -B**

2. a) Explain law of Demand & Limitations with the help of graph? Also list different factors influencing demand. (8M)
  - b) Compare price, income, promotional & cross elasticity of demand? (8M)
  3. a) What is a production function? Explain different types of Short & Long Run Production Function? (8M)
  - b) Determine P/V Ratio, Fixed Cost and BEP with the help of following information: (8M)
- | Description       | 2014-15 | 2015-16 |
|-------------------|---------|---------|
| Sales(Rs. Lakhs)  | 20.00   | 50.00   |
| Profit(Rs. Lakhs) | 5.00    | 10.00   |
4. a) How Price & Output determined under Perfect Competition in long Run for Industry & Firm? Explain with the help of graphs. (8M)
  - b) What are the objectives and situation behind pricing strategies and explain cost based pricing methods. (8M)
  5. a) Compare Objectives, features & limitations of Cooperatives. (8M)
  - b) What are the objectives & limitations of state enterprises? (8M)



6. a) Journalise following transactions in the Books of M/s. Indo-Malasian (8M)  
Constructions Ltd., for the month of Oct-15

Date	Transaction Description	Amount Rs.
01-10-2015	Business commenced with Cash	15,00,000/-
03-10-2015	Deposited Indo-Malaysian Bank	10,00,000/-
07-10-2015	Purchased Goods on Credit from M/s. Isuzu & Co.	25,00,000/-
10-10-2015	Sold Goods on Credit to M/s. GMRIFL	30,00,000/-
11-10-2015	Received a bank cheque from M/s. GMRIFL on Account	20,00,000/-
15-10-2015	Paid to M/s, Isuzu & Con On Account	12,00,000/-
16-10-2015	Purchased Motor Vehicle from M/s.MML	12,00,000/-
17-10-2015	Purchased Office Furniture from M/s. Tumbi Ltd. and paid through bank	1,00,000/-
25-10-2015	Withdrawn Cash for office purpose	1,00,000/-
29-10-2015	Paid Salaries & Wages though cash	75,000/-
29-10-2015	Interest credited in bank	2,50,000/-
30-10-2015	Paid Freight through bank	1,00,000/-
30-10-2015	Deposited Cash in Bank	1,25,000/-
31-10-2015	Paid Rent through bank cheque to Mr. Umamaheswar Rao	50,000/-

- b) Determine Stock Velocity & Debtors Velocity with the help of following (8M)  
information:

Description	
Opening Balance of Stock	5,00,000/-
Opening Balance of Debtors	15,00,000/-
Opening Balance of Bills Receivables	4,00,000/
Closing Balance of Stock	2,00,000/
Closing Balance of Debtors	25,00,000/-
Closing Balance of Bills Receivables	8,00,000/-
Sales	40,00,000/-
Gross Profit	20%
Credit Sales	60%
Days in a Year	360

7. a) What are the different Methods of evaluating capital budgeting projects? (8M)  
b) Determine Pay Back Period and Internal Rate of Return (IRR) for the following (8M)  
project.

Description	Project-A	PV Factor	PV Factor
Cash Flow Rs.		12%	20%
Initial Cost of Investment	1000000	1.000	1.000
I Year	250000	0.893	0.833
II Year	350000	0.797	0.694
III Year	200000	0.712	0.579
IV Year	450000	0.636	0.482
V Year	250000	0.567	0.402
Salvage Value	150000	0.567	0.402

