

Code No: R05310301

Set No. 1

**III B.Tech I Semester Regular Examinations, November 2008
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**

(ME, ECE, CSE, IT, CSSE, ETM, E.COMP.E, PE, ICE & AME)

Time: 3 hours

Max Marks: 80

**Answer any FIVE Questions
All Questions carry equal marks**

1. Managerial Economics is the application of Economic Theory to business management. Discuss. [16]
2. (a) What is meant by Elasticity of demand.
(b) Determine price elasticity of demand given that the quantity demanded of a product is 1000 units when the price is Rs. 100 and when the price declines to Rs.70, demand increases to 1100 units. [8+8]
3. (a) State and explain Breakeven analysis and explain its importance.
(b) Discuss the significance of profit-volume ratio, angle of incidence and margin of safety in Breakeven analysis. [10+6]
4. (a) What are the features of monopolistic competitions?
(b) Explain the differences between monopolistic competition and perfect competition. [8+8]
5. (a) What is a partnership deed?
(b) Outline the types of partners and comment on the limitations of partnership business. [8+8]
6. Explain the right procedure for a capital budgeting decision. [16]
7. Explain the following concepts and illustrate their treatment with imaginary data. [16]
 - (a) Depreciation
 - (b) Prepaid expenses
 - (c) Reserve for bad and doubtful debts
 - (d) Income received in advance.
8. (a) From the following information, calculate [16]
 - i. Debt Equity ratio
 - ii. Current ratio

	Rs.		Rs.
Debentures	1,40,000	Bank balance	30,000
Long term loans	70,000	Sundry Debtors	70,000
General reserve	40,000		
Creditors	66,000		
Bills payable	14,000		
Share capital	1,20,000		

(b) Calculate Interest Coverage ratio from the following information.

	Rs.
Net profit after deducting interest and taxes	6,00,000
12% Debentures of the face value of	15,00,000
Amount provided towards taxation	1,20,000

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1. What is Managerial Economics? Explain its focus areas. [16]
2. What are the needs for demand forecasting. Explain the various steps involved in demand forecasting. [16]
3. (a) What do you understand by 'Law of increasing Returns?' What causes make increasing returns operate? [10]
(b) When do you notice 'constant returns' arising? [3]
(c) Do diminishing returns apply only for agriculture or any other fields? [3]
4. 'A competitor under conditions of perfect competition is only price taker and quantity adjustor' - In the light of the above statement, discuss clearly the important features of perfect competition and how price output decisions can be taken. [16]
5. What are the reasons for introducing company form of organizations and what are its merits and limitations? [16]
6. Write short notes on the following: [4×4]
 - (a) Non-cumulative preference shares
 - (b) Trade credit
 - (c) Transfer of shares
 - (d) Discount Factor.
7. Explain the following adjustments and illustrate suitably with assumed data. [16]
 - (a) Closing stock
 - (b) outstanding expenses
 - (c) Prepaid Income
 - (d) Bad debts.
8. (a) From the following information, calculate [16]
 - i. Debt Equity ratio
 - ii. Current ratio

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1. Define Managerial Economics. Explain its nature and scope. [16]
2. Explain Income Elasticity of demand and its significance in making business decisions. [16]
3. "Break even analysis provides the management with a simplified framework for an organization which is thinking on a number of problems" ? Discuss. [16]
4. (a) Define Market and explain how markets are classified?
(b) What are the important features in any market structure? [12+4]
5. What are the pros and cons of privatisation? [16]
6. Explain the concept of capital budgeting and what is its practical utility? [16]
7. Explain the following concepts and illustrate their treatment with imaginary data. [16]
 - (a) Depreciation
 - (b) Prepaid expenses
 - (c) Reserve for bad and doubtful debts
 - (d) Income received in advance.
8. (a) From the following information, calculate [16]
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- (b) Calculate Interest Coverage ratio from the following information.

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Set No. 3

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1. Explain the relationship of Managerial Economics with other disciplines. [16]
2. What are the various methods of demand forecasting. Evaluate various survey-based demand forecasting methods. [16]
3. Answer briefly the following and also use necessary diagrams.
 - (a) Law of variable proportions
 - (b) Laws of returns in production [8+8]
4. (a) What are the principal differences between monopoly and perfect competition?
(b) Supplement your answer with appropriate diagrams in both the cases. [8+8]
5. Discuss about the short-comings of the public sector enterprises in India and what is their future? [16]
6. Write short notes on the following: [4×4]
 - (a) Public deposits
 - (b) Time value of money
 - (c) Circulating capital
 - (d) Investment evaluation.
7. The following are the closing balances extracted from the books of Bhargav for the year ending 31st December 2004 with the help of which prepare Trading Account, Profit and Loss A/c and Balance Sheet. [16]

Debit balances	Rs.	Credit Balances	Rs.
Opening stock	6,050	Sales	13,720
Purchases	9,030	Purchases returns	130
Carriage	220	Capital	3,000
Drawings	450	Creditors	4,500
Investments	3,800	Discounts received	350
Debtors	2,500	Mortgage loan	4,000
Cash	1,350		
Printing charges	1,200		
Wages	1,100		
	25,700		25,700

- (a) Closing stock was valued at Rs.16,000
 (b) Wages outstanding by Rs.900
 (c) Outstanding discounts receivable Rs.150
 (d) Write off bad debts ? Rs. 500
 (e) Create a Reserve for Bad and doubtful debts ? Rs. 500.
8. (a) How is Quick ratio different from current ratio? How are they helpful in evaluation?
 (b) The Accounting data of a business unit is as follows.

Liabilities	Rs.	Assets	Rs.
Share capital	11,00,000	plant and machinery	15,00,000
Mortgage Loans	11,50,000	Amounts Receivable	12,00,000
Contingent liabilities	6,50,000	Stock on hand	2,00,000
	29,00,000		29,00,000

Calculate

- (a) Current ratio, and
 (b) Quick ratio.

[8+8]
