H.T.No. | | | | | | | | | | |

Code No: BA1502 **GEC-R14**

II B. Tech I Semester Regular Examinations, November 2016

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common to Mechanical Engineering, Computer Science and Engineering and Information Technology)

Time: 3 Hours **Max. Marks: 60**

Note: All Questions from **PART-A** are to be answered at one place.
Answer any **FOUR** questions from **PART-B.** All Questions carry equal Marks.

PART-A

6 × 2 = 12M

1) Define Managerial Economics.
2) What is Law of Demand?
3) What is opportunity cost?
4) What is a partnership deed?
5) Define Accounting?
6) What is Capital Budgeting?

PART-B

4 × 12 = 48M

1. a) Discuss the nature of Managerial Economics and its role in business decision making process. (6M)

   b) What is Elasticity of Demand? Explain the types of price elasticity of demand. (6M)

2. a) Explain various internal and external economies of scale (6M)

   b) M/S Kiran & Co. manufacturing pens with selling price Rs.16 and variable cost Rs. 12 per unit. Fixed costs are Rs. 60,000. Calculate Break-even point (BEP) both in terms of volume and sales value. (6M)

3. a) Compare and contrast various types of market structures. (6M)

   b) Discuss different Pricing Strategies. What pricing strategy do you suggest for newly introduced tooth paste and why. (6M)

4. a) Define ‘Company’ and explain the stages in the formation of a joint stock company. (6M)

   b) What is a Business Cycle? Explain different phases of Business Cycle. (6M)

5. From the given trial balance in the books of M/s Phoenix & Co., prepare profit and loss account for the year ending 31-03-2014 and balance sheet as on that date. Also adjust details given at the end of the trial balance. (12M)

Trial Balance as on 31-03-2014

Debit balances	Rs.	Credit balances	Rs.
Purchases	79,000	Sales	1,25,000
Sales returns	2,700	Purchase Returns	3,600
Discount allowed	1,850	Discount received	1,250
Opening stock	6,675	Bank overdraft	425
Salaries	23,000	Creditors	7,750
Electricity	1,500	Capital	57,000
Rent and rates	1,000	Long-term loan	16,500
Sundry expenses	2,350		
Premises	50,000		
Equipment	15,000		
Vehicle	10,750		
Debtors	11,420		
Cash	1,060		
Drawings	5,220		
Total	**2,11,525**		**2,11,525**

Adjust the following

i) Closing stock Rs. 15,000

ii) Outstanding salaries Rs. 2,000

iii) Prepaid rent and rates Rs. 1000

iv) Provide depreciation on equipment @ 10% per annum.

6. a) Explain the following ratios with formulae

i) Current ratio ii) Quick ratio iii) Debt-equity ratio (6M)

b) Calculate the net present value (NPV) of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%. The initial investment for Project X is Rs. 35, 000 and for Project Y is Rs. 62,000. (6M)

The profits before depreciation but after taxes are as follows:

(Value in Rs.)

Year	1	2	3	4
Project X	12000	18000	7000	5000
Project Y	35000	25000	12000	4000

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