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Code No: BA1502

GEC-R14

II B. Tech II Semester Supplementary Examinations, January 2017
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to Electrical and Electronics Engineering and
Electronics and Communication Engineering)

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. What are Giffen Goods?
2. Discuss Cobb-Douglas production function.
3. Illustrate Cross Subsidization.
4. Define Business Cycle.
5. What is a Trail Balance?
6. Explain Current Ratio.

PART-B

4×12 = 48M

1. a) Define Managerial economics and discuss its relation with other disciplines. (6M)
b) Explain the different types of price elasticity with the help of diagrams. (6M)
2. a) Define Isoquant and discuss the properties of isoquants. (6M)
b) ABC Ltd produces and sells industrial containers and packing cases. The present position of the company is as under:
Sales: 10,000 units
Variable costs: Rs 14 per unit
Fixed costs: Rs 40,000
Selling Price: Rs 20 per unit
Calculate i) P/V Ratio
ii) BEP (in Rs and in Units) (6M)
3. a) Discuss price/output determination in perfect competition? Explain with diagrams. (6M)
b) Explain any four techniques of price formulation in actual business situation. (6M)

4. a) Explain the salient features of various forms of business organisations? (7M)
- b) Define Business cycles and discuss the phases of a business cycle. (5M)
5. a) Why adjustment entries are required to be made at the time of preparing final accounts? Give illustrative examples for any four such adjustment entries. (5M)
- b) Journalise the following transactions in the books of Mr. Balu
- Oct 1 : Commenced Business with cash Rs.1,00,000
- Oct 2 : Deposited into Bank Rs. 30,000
- Oct 3 : Purchased goods: Rs. 20000
- Oct 4 : Purchased goods from Ram Rs.10000 and got 5% trade discount
- Oct 10 : Purchased Furniture and paid by cheque Rs. 8000
- Oct 15 : Cash sales Rs. 15000
- Oct 20 : Sold goods to Krishna Rs.5000
- Oct 25 : Paid Rs.9200 to ram in full settlement
- Oct 27 : Received Rs. 4800 from Krishna in full settlement
- Oct 30 : Paid Salaries Rs. 5000 (7M)
6. a) Discuss any five profitability ratios and explain their importance in analyzing the profitability position of the company. (5M)
- b) A Petroleum company is considering purchase of new machine for its future expansion. The new machine requires an investment outlay of Rs.2,00,000. The machine has an expected life of 5 years. The machine is expected to generate CFAT of Rs. 40,000, Rs. 50,000, Rs. 60,000, Rs. 80,000 and Rs. 90,000 at the end of year 1, 2, 3, 4 and 5 respectively. If the firm's cost of capital is 12%, advise the company whether to purchase the machine or not by using NPV. (7M)

Year	1	2	3	4	5
PVIF @ 12%	0.893	0.797	0.712	0.636	0.567
