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Code No: 09A50301

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY, HYDERABAD

B. Tech III Year I Semester Examinations, May/June – 2013

Managerial Economics and Financial Analysis

(Common to ME, EIE, BME, IT, MCT, E.Comp.E, BT, AME, MIE, MIM)

Time: 3 hours

Max. Marks: 75

Answer any five questions  
All questions carry equal marks

1. "Managerial economics is an integration of economic theory, decision science and business management". Comment. [15]
2. What is point elasticity of demand? How is it measured? [15]
3. Explain the laws of returns to scale. Describe them using the ISO-Quants. [15]
4. Explain the features of perfect competition. [15]
5. Outline the emerging trends in business environment in post liberalization era. [15]
6. Super State Company is evaluating two capital projects whose estimated cash savings are as follows:

| Year | Cash in-flows       |                     |
|------|---------------------|---------------------|
|      | Project –X<br>(Rs.) | Project –Y<br>(Rs.) |
| 1    | 7,000               | 10,000              |
| 2    | 9,000               | 5,000               |
| 3    | 12,000              | 7,000               |
| 4    | 12,000              | 12,000              |
| 5    | 20,000              | 15,000              |

Project X costs Rs.50,000 and Project Y costs Rs.30,000. Neither project has any salvage value at the end of its useful life. Compute the payable period on each project. [15]

7. The following trial balance was extracted from the books of a sole trader for the year ended 31<sup>st</sup> March 2013:-

|                                | Debit Rs.     | Credit Rs.    |
|--------------------------------|---------------|---------------|
| <b><u>Account balances</u></b> |               |               |
| Purchases & Sales              | 39 600        | 76 000        |
| Returns                        | 300           | 450           |
| Carriage inwards               | 1 200         |               |
| Carriage outwards              | 900           |               |
| Opening stock                  | 5 200         |               |
| Salaries                       | 7 550         |               |
| Commission                     | 670           |               |
| Wages                          | 3 000         |               |
| Debtors & Creditors            | 8 000         | 4 200         |
| Discounts                      | 500           | 800           |
| Plant & Machinery              | 19 000        |               |
| Rates                          | 450           |               |
| Furniture & Fittings           | 6 500         |               |
| Bank overdraft                 |               | 3 500         |
| Office expenses                | 150           |               |
| General expenses               | 600           |               |
| Cash in hand                   | 250           |               |
| Bank Loan                      |               | 5 000         |
| Capital                        |               | 3 920         |
| <b>Total</b>                   | <b>93 870</b> | <b>93 870</b> |

**Adjustments:-**

- 1) The stock on 31-3-2013 was valued at Rs. 6 500
- 2) Carriage outwards was owing by Rs. 100
- 3) Rates prepaid Rs. 150
- 4) Rent for the year was earned but not received Rs. 700
- 5) General expenses owing Rs. 180

**From the above information you are required to prepare at 31<sup>st</sup> March 2013:-**

- a) The Trading and profit & loss account
- b) The Balance sheet.

[15]

8. You are required to calculate Average Collection Period from the information given below:

|   |                  |
|---|------------------|
| Total Sales                             | Rs.3, 00,000     |
| Cash Sales                              | 20% of net sales |
| Sales returns                           | Rs.25, 000       |
| Total debtors at the end of the year    | Rs.30, 000       |
| Bills receivable at the end of the year | Rs.10, 000       |
| Provision for bad debts                 | Rs. 3,000        |

[15]

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