Code No: 126EJ **R13**

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

B. Tech III Year II Semester Examinations, December - 2017

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common to CSE, ECE, ETE, MMT)

Time: 3 hours **Max. Marks: 75**

Note: This question paper contains two parts A and B.
Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A

(25 Marks)

1.a) Explain the concept of 'Demand'. [2]
b) Define Elasticity of demand and mention the formula for measurement. [3]
c) What are 'Isocosts'? [2]
d) Give the Cobb Douglas production function. [3]
e) What are the features of perfect competition? [2]
f) Write about the different forms of business organisation. [3]
g) Give the different types of capital. [2]
h) What is a cash budget? [3]
i) Write a note on IFRS. [2]
j) What is the difference between journal and Ledger? [3]

PART - B

(50 Marks)

2.a) What do you understand by managerial economics?
b) Give the nature and scope of managerial economics. [5+5]

OR

3.a) What are the different types of elasticity of demand.
b) 8000-1000p=-4000+2000p, what is the value of p? [5+5]

4.a) Explain the laws of returns.
b) Fixed Costs Rs.24000 pa, Variable Cost Per Unit is Rs.6, Selling Price Per Unit is Rs.10 and Quantity Produced is 10000 Units. What is break even point? [5+5]

OR

5.a) Write in detail about production function.
b) You run a manufacturing business that is involved in manufacturing and selling a single product. The annual fixed expenses to run the business are Rs15,000 and variable expenses are Rs7.50 per unit. The sale price of your product is Rs15 per unit. What is the margin of safety? [5+5]

6.a) Compare and contrast monopoly and monopolistic competition.
b) What is pricing? What are the practices of pricing methods in India? [5+5]

OR

7.a) Compare and contrast perfect competition and monopoly.
b) Write a note on the impact of liberalisation on the business environment. [5+5]

8. ABC Ltd is a small company that is currently analyzing capital expenditure proposals for the purchase of equipment. The capital budget is limited to Rs 500,000 which ABC Ltd believes is the maximum capital it can raise. The initial investment and projected net cash flows for each project are shown below. The cost of capital of ABC Ltd is 12%. You are required to compute the NPV. Rank them in the order of acceptance. Is the capital budget fully utilized? [10]

	Project A	Project B	Project C	Project D
Initial Investment	200,000	190,000	250,000	210,000
Annual Cash Inflows				
Year 1	50,000	40,000	75,000	75,000
2	50,000	50,000	75,000	75,000
3	50,000	70,000	60,000	60,000
4	50,000	75,000	80,000	40,000
5	50,000	75,000	100,000	20,000

OR

9. The following results are expected by XYZ Ltd. by quarters next year, in thousands of rupees.

Particulars	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Sales	7500	10500	18000	10500
Production costs	7000	10000	8000	8500
Selling, administrative costs	1000	2000	2900	1600
Purchase of plant	100	1100	2100	2100

The debtors at the end of the quarter are one-third of sales of the quarter. The opening balance of debtors is Rs.3000000. Cash on hand at the beginning of the year is Rs.650000 and desired minimum balance is Rs.500000. Borrowings are made at the beginning of the quarters in which the need will occur in multiples of Rs.10000 and are repaid at the end of quarters. You are required to prepare a cash budget by quarters for the year. [10]

10. From the following Trial Balance of X Ltd. Company as at 31st March. 2017. Prepare Trading and Profit and Loss Account for the year ended 31st March 2017 and a Balance Sheet as on that date:

Debit Balances	**Rs.**	**Credit Balances**	**Rs.**
Stock	45,000	Share Capital	75,000
Plant and Machinery	75,000	Sales	4,20,750
Purchases	2,25,000	Sundry Creditors	15,000
Carriage Inwards	10,000	Bad Debts Provision	200
Carriage Outwards	2.500	Bills Payable	2,000
Factory Rent	1,500	P/L A/c	
Discount	1,500	Reserves and surpluses	25,000
Insurance	350		15,000
Sundry debtors	60,000		

Printing and stationary	600		
Travellers Salaries	2,800		
Advertising	15,000		
Bills Receivable	12,000		
Salaries	15,000		
Wages	21,000		
Furniture	7,500		
Cash in hand	2,000		
Cash at Bank	12,500		
Goodwill	40,000		
	5,52,950		5,52,950

Adjustments:

a) Closing Stock amounted to Rs. 35,000.

b) Depreciation Machinery by 10% and Furniture by 5%.

c) Raise the Bad Debts Provision to 5% on Debtors.

d) Outstanding Factory Rent Rs. 300 and Office Rent Rs. 600.

e) Insurance Prepaid Rs. 100.

f) Transfer to general reserve Rs. 12,000. [10]

OR

11. From the following Balance Sheet and other information, calculate the following:
(a) Debt-Equity Ratio (b) Quick Ratio (c) Trade ReceivablesTurnover Ratio
(d) Working capital (e) Gearing ratio (f) Net worth (g) Capital employed

Balance Sheet as at March 31, 2017

I. Equity and Liabilities:		
1. Shareholders' funds		
a) Share capital	10,00,000	
b) Reserves and surplus	9,00,000	
2. Non-current Liabilities		
Long-term borrowings	12,00,000	
3. Current Liabilities		
Trade payables	5,00,000	
Total		36,00,000
II. Assets		
1. Non-current Assets		
Fixed assets		
– Tangible assets	18,00,000	
2. Current Assets		
a) Inventories	4,00,000	
b) Trade Receivables	9,00,000	
c) Cash and cash equivalents	5,00,000	
Total		36,00,000

Additional Information: Revenue from Operations Rs. 18,00,000.GP rate is 20%. [10]

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