

R09

Code No: 09A60401

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY, HYDERABAD

B. Tech III Year II Semester Examinations, May – 2013

Managerial Economics and Financial Analysis

(Common to ECE, CSE, ETM, MMT)

Time: 3 hours

Max. Marks: 75

Answer any five questions
All questions carry equal marks

- - -

1. “Through the Managerial Economics is the science of application of the economic principles to the management of a firm, these principles cannot be used in their original form in practice” Explain this statement with illustrations. [15]
- 2.a) Define elasticity of demand and state its effects. How are the price elasticity, cross elasticity and advertising elasticity measured?
b) Define production function. Explain the nature and managerial uses of production function. [15]
3. Explain the statistical estimation of cost functions. Why is the statistical estimation more popular than engineering estimation of costs? [15]
- 4.a) Explain the various types of competition.
b) Discuss the price-output determination in case of monopoly. [15]
- 5.a) Define partnership and explain its advantages and disadvantages.
b) Compare and contrast three forms of public enterprises. [15]
6. Compute X company Pvt Limited is considering to purchase a machine. Three machines A, B and C are available, each costing Rs 500000. In comparing the profitability of the machines, a discounted rate of 10% is to be used. Earnings after taxation are expected to be as under. There is no scrap value. [15]

Year	Machine A (Rs)	Machine B (Rs)	Machine C (Rs)
1st	200000	75000	100000
2nd	250000	150000	200000
3rd	150000	300000	200000
4th	100000	200000	100000
5th	75000	100000	75000

Select the most profitable machine using the following methods.

- a) Pay-back period b) Accounting Rate of return and c) Net present value.

7. With the following ratios and further information given below, prepare Trading A/c, Profit and Loan A/C and Balance Sheet of Mr.Narayan.
- | | |
|--|------------------------------|
| 1) Gross profit Ratio 25% | 2) Net profit/sales 20% |
| 3) Stock turnover ratio 10 | 4) Net profit/capital 1/5 |
| 5) Capital to total liabilities 1/2 | 6) Fixed assets/capital 5/4 |
| 7) Fixed assets/Total current assets 5/7 | 8) Fixed Assets Rs 10,00,000 |
| 9) Closing stock Rs 100000 (Working Notes are compulsory). | [15] |
- 8.a) From the following ledger accounts, prepare a Trial Balance as on 31.12.10
- | | |
|-----------------------------------|-------------------------------|
| 1) Opening stock 7800 | 2) Freehold premises 15000 |
| 3) Plant and machinery 4500 | 4) Wages 1000 |
| 5) Sundry debtors 6000 | 6) Carriage onwards 90 |
| 7) Factory expenses 800 | 8) Royalty 100 |
| 9) Purchase of Raw-materials 7500 | 10) carriage outward 100 |
| 11) Factory rent 700 | 12) Capital 8000 |
| 13) Discount allowed 400 | 14) Discount received 360 |
| 15) Sundry creditors 2000 | 16) Insurance 200 |
| 17) Bad debts reserve 150 | 18) Commissions received 1500 |
| 19) Commission paid 500 | 20) Bad debts 150 |
| 21) Office expenses 750 | 22) Salaries 1000 |
| 23) Travelling expenses 100 | 24) Legal expense 100 |
| 25) Cash in hand and at Bank | 26) Loan taken 3000 |
| 27) Office rent 4000 | 28) Net sales 33000. |
- b) Explain in detail, the method of preparing final accounts. Also discuss assets and liabilities side of the balance sheet. [15]
