Code No: 126EJ
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
B. Tech III Year II Semester Examinations, April - 2018
MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS
(Common to CSE, ECE, 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) What are durable goods? Give suitable examples. [2]
   b) What is the shape of curve for perfectly inelastic demand? Clearly indicate parameters of X and Y axis. [3]
   c) What is sunk cost? [2]
   d) What is marginal rate of technical substitution? [3]
   e) How does demand curve for the firm in a perfect completion look like? [2]
   f) What is transfer pricing? [3]
   g) How do you define payback period? [2]
   h) Define IRR. [3]
   i) Define debtor turnover ratio. [2]
   j) What is the formula for calculating depreciation under straight line method? [3]

PART - B
(50 Marks)

2.a) What are normative statements? What is its relevance to managerial economics?
   b) Explain with illustration the law of diminishing marginal utility. [5+5]

OR

3.a) A firm increases its advertising expenditure from Rs. 6 lakhs to Rs. 7 lakhs. Its sales increases by 20% from the initial volume of 90,000 units with price of the items remaining the same. Measure the advertisement elasticity of demand.
   b) Bring out the difference between autonomous demand and derived demand. [6+4]

4.a) State and briefly explain Cobb-Douglas Production function.
   b) Why short- run average cost curve is 'U' shaped? [5+5]

OR

5.a) What are the applications of Break-even analysis?
   b) What are the major types of external economies? [6+4]

6. Bring out the differences between perfect market and monopoly by clearly contrasting the nature of these two. [10]

OR

7.a) What is the nature of sole trader form of business organization?
   b) What is 'Prospectus' issued by joint- stock company?
   c) What do you understand by 'convertibility'? [4+3+3]

8. A firm whose cost of capital is 10% is considering two exclusively mutual projects A and B, the details of which are given as below:

	Project A (Rs.)	Project B (Rs.)
Investment (0th year)	50,00,000	50,00,000
Cash flow for I year	16,00,000	24,00,000
Cash flow for II year	24,00,000	26,00,000
Cash flow for III year	45,00,000	55,00,000
Cash flow for IV year	55,00,000	60,00,000

Compute
a) NPV and
b) Profitability Index for both the projects at 10% discount rate.   [5+5]

OR

9. A project requires initial investment of Rs. 1,00,00,000. The expected returns for the next four years are as below.

I year	Rs. 50,00,000
II year	Rs. 50,00,000
III year	Rs. 30,00,000
IV year	Rs. 60,00,000

Calculate the internal rate of return (IRR). If the cost of the capital for the company is 15%, will you recommend this project?   [10]

10.a) What are various liquidity ratios? Explain each of them showing their formulae.
 b) What is contra entry?   [7+3]

OR

11. From the following particulars, write out a Cash Book, with Cash, Bank and Discount columns of M/s Rajni and Co. of Chennai for the month of Jan 2018 and balance the cash book.
2018
Jan 01. Balance of cash on hand Rs. 20,000 and overdraft with SBI Rs.1,00,000.
05. Received cash from Chetty & C. Rs.20,000and allowed him a discount of Rs.600.
07. Paid into bank Rs.35,000.
15. Paid to Govind by cheque Rs. 5200 in full settlement of his account for Rs. 5500.
20. Received for cash sales;cash Rs.1750 and cheque Rs.1000.
22. Paid Ram & Co. by cheque Rs.12,000, discount allowed Rs. 450.
26. Paid by cheque to Shanti Kumar Stores, for private use of the proprietor Rs.5250.
28. Drew for office use Rs. 5000
31. Harish paid directly into our Bank Account Rs. 6000.   [10]

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