

Code No: 115EG

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

B. Tech III Year I Semester Examinations, November - 2015

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common to ME, EIE, BME, IT, MCT, AME, MIE, MSNT)

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) Define the concept 'managerial economics'. [2]  
 b) What do you understand by exponential smoothing? [3]  
 c) Distinguish between fixed and variable costs? [2]  
 d) How do you measure margin of safety? [3]  
 e) What is monopolistic competition? [2]  
 f) What is meant by liberalization? [3]  
 g) What is petty cash account? [2]  
 h) How does current ratio differ from quick ratio? [3]  
 i) What is principle on which present value of expected cash flows computed? [2]  
 j) Define IRR. What criteria would you select for accepting an IRR value? [3]

**PART - B (50 Marks)**

- 2.a) What is test marketing? Why is it preferred by marketing managers?  
 b) What is demand schedule? Give a suitable example. [4+6]

**OR**

- 3.a) What is time series analysis? Under what conditions; it can be applied?  
 b) What factors influence price elasticity of demand for a product? Give examples. [4+6]

4. A Company making single product has the following Sales and net profit for the two half of the financial year.

Period	I half of the financial year	II half of the financial year
Sales in Rs.	8,00,000	10,00,000
Net profit in Rs.	1,00,000	1,50,000

Find breakeven point of production and the margin of safety. Represent the same diagrammatically. [10]

**OR**

- 5.a) Compare and contrast incremental cost versus sunk cost  
 b) What are isoquants? What are its characteristics? [4+6]

- 6.a) What are the contents in an Articles of Association?  
 b) What are the features of monopoly? [4+6]

**OR**

- 7.a) What are the limitations of partnership form of organization?  
 b) Under what conditions a Government limited company can be formed? [5+5]

8. A company is considering purchase of a new machine. Two alternatives (Machine A and machine B) have been suggested, each having an initial cost of Rs.4,00,000. The annual cash flow at the end of each year for the next 5 years are as follows:

year	Machine A Rs.	Machine B Rs.
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

The company has a target return of 10% on its investment. Compare the two projects and suggest which project one should opt for. [10]

**OR**

- 9.a) What is cash budget?  
 b) What factors influence the volume of working capital needed by an organization? [4+6]

- 10.a) What are the different types of ledger accounts? Give at least two examples for each.  
 b) What are the rules governing each of the above types of accounts? [8+5]

**OR**

11. What are activity ratios?

A company has issued 5000 debentures of each Rs.1000 and has long term unsecured loan of Rs.100 lakhs. It has preference share capital of Rs. 40 lakhs and equity share capital of 60 lakhs. Calculate debt to equity ratio. [5+5]

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