

Code: CS8T1

IV B.Tech - II Semester - Regular Examinations - March 2018

**MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
(COMPUTER SCIENCE AND ENGINEERING)**

Duration: 3 hours

Max. Marks: 70

PART – A

Answer *all* the questions. All questions carry equal marks

11x 2 = 22 M

1.

- a) List basic tools of managerial economics.
- b) Define Derived Demand.
- c) Total Outlay Method.
- d) Survey Method of Demand Forecasting.
- e) Cross Elasticity of Demand.
- f) Law of Constant Returns to Scale.
- g) Cobb-Douglas Production Function.
- h) Monopolistic Competition.
- i) Market Skimming Price.
- j) Journal.
- k) Internal Rate of Return.

PART – B

Answer any **THREE** questions. All questions carry equal marks.

3 x 16 = 48 M

- 2.a) Define Managerial Economics. Explain its Nature and Scope. 8 M
- b) What do you understand by demand function? What are the determinants of demand? 8 M
- 3.a) Define price elasticity. Explain the various types of price elasticity of demand. 8 M
- b) What is demand forecasting? Explain the factors involved in demand forecasting. 8 M
- 4.a) Discuss briefly the relationship among total product, average product and marginal product with the help of assumed data represent graphically. 8 M
- b) If sales are 10,000 units and selling price is Rs.20 per unit, variable cost is Rs.10 per unit and fixed cost is Rs.80,000/-. Find out BEP in units and sales revenue. What is profit earned? What should be the sales for earning a profit of Rs.60,000/-. 8 M
- 5.a) What is meant by perfect competition? Explain its features. 8 M

b) What do you understand by Monopolistic Competition?

How is Price determined under it?

8 M

6.a) Following is the trail balance of Mr. Prasad as on 31st December 2017. Prepare Trading and Profit and Loss Account and Balance Sheet.

8 M

Debit Balances	₹	Credit Balances	₹
Salaries	6,000	Capital	25,000
Purchases	26,000	Sales	47,000
General expenses	8,500	Creditors	21,000
Wages	800	Bills payable	7000
Carriage on purchases	400		
Commission	600		
Carriage on sales	1,200		
Debtors	30,000		
Furniture	3,000		
Machinery	10,000		
Bills receivable	2,000		
Insurance	400		
Opening stock	7,000		
Cash in hand	500		
Cash at bank	3,600		
	1,00,000		1,00,000

Adjustments:

- i) Closing stock ₹11000,
- ii) Outstanding Salaries ₹2000,
- iii) Prepaid insurance ₹50

b) The proposals in respect of the following two projects are to be examined using

(i) Pay back method and

(ii) Accounting Rate of Return method.

8 M

Initial investment for both projects is Rs.20,000. Estimated cash flows:

Year	Proposal I	Proposal II
1	12500	11750
2	12500	12250
3	12500	12500
4	12500	13500