

Code: EC7T6

**IV B.Tech - I Semester – Regular Examinations – November 2015**

**MANAGERIAL ECONOMICS AND FINANCIAL  
ANALYSIS  
(ELECTRONICS & COMMUNICATION ENGINEERING)**

Duration: 3 hours

Max. Marks: 70

Answer any FIVE questions. All questions carry equal marks

1. a) Define Managerial Economics. Explain its relationship with other subjects. 10 M  
b) Explain about determinants of demand. 4 M
2. What is Elasticity of demand? And clearly explain about types of Elasticity of demand. 14 M
3. a) What is production function? Explain in detail. 6 M  
b) Explain about Economies of scale in detail. 8 M
4. What are the types of competition in market. Explain about Monopoly, Monopolistic competition and Oligopoly. 14 M
5. a) What is Joint Stock Company? Explain its merits and demerits. 8 M

b) Explain about the characteristic features of Industrial organization. 6 M

6. From the following balance extracted from the books of ABC Co. pass the necessary closing entries; prepare a trading and Profit and Loss account and Balance Sheet.

14 M

Particulars	Rs.	Particulars	Rs.
Opening Stock	1,250	Plant and machinery	6,230
Sales	11,800	Returns Outwards	1,380
Depreciation	667	cash in hand	895
Commission (cr.)	211	Salaries	750
Insurance	380	Debtors	1,905
Carriage Inwards	300	Discount (Dr.)	328
Furniture	670	Bills receivable	2,730
Printing Charges	481	Wages	1,589
Carriage Outwards	200	Returns Inward	1,659
Capital	9,228	Bank Overdraft	4,000
Creditors	1,780	Purchases	8,679
Bills Payable	541	Petty cash in Hand	47
		Bad Debts	180

The value of stock on 31<sup>st</sup> December 2012 was Rs.3,700.

7. From the following ratios draw the balance sheet of the company for the year 2012. 14 M

Current Ratio	2.5
Liquidity Ratio	1.5
Net Working Capital	Rs.3,00,000
Stock Turnover Ratio (Cost of Sales/closing stock)	6 times
Gross Profit Ratio	20 per cent
Fixed assets Turnover ratio (on cost of sales)	2 times
Debt Collection Period	2 months
Fixed assets to shareholders net worth	0.80
Reserve and Surplus to Capital	0.50

8. The following are the details pertaining to a company which is considering of acquiring a fixed asset: Project A : Cost of the proposal Rs.42,000, life-5 years, Average after tax Annual cash inflow Rs. 14,000(Constant). Project B: Cost of the proposal Rs.45,000, life-5 years, Annual cash inflows: 1stYear: 28,000; 2ndYear:Rs.12,000; 3rdYear: Rs.10,000; 4thYear: Rs.10,000; 5thYear: Rs.10,000. Determine IRR. Which projects do you recommend? 14 M