

Code: IT7T1

**IV B.Tech - I Semester – Regular/Supplementary Examinations
October - 2019**

**MANAGERIAL ECONOMICS AND FINANCIAL
ACCOUNTANCY
(INFORMATION TECHNOLOGY)**

Duration: 3 hours

Max. Marks: 70

PART – A

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

11x 2 = 22 M

1.

- a) Define Income Elasticity of Demand.
- b) Explain Marginal Rate of Technical Substitution.
- c) Write about External Economies of Scale.
- d) What is Monopolistic Competition?
- e) Explain Partnership form of organization.
- f) What is Break Even Point?
- g) Explain about the Journal.
- h) Describe the Gross Profit Ratio.
- i) Why Trail Balance is prepared?
- j) What do you mean by Accounting Rate of Return ?
- k) Define Capital Budgeting.

PART – B

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

3 x 16 = 48 M

2. a) Define Managerial Economics and explain its scope. 8 M
- b) Define demand? What are the determinants of demand. 8 M
3. a) Explain the law of variable proportions in detail. 8 M
- b) Explain the features of perfect competition. 8 M
4. a) Describe sole trader form of organization and explain its features. 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/-. Calculate 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. Following is the trail balance of Mr. Prasad as on 31st December 2019. Prepare Trading and Profit and Loss Account and Balance Sheet. 16 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:

- a) Closing stock ₹11000, b) Outstanding Salaries ₹2000,
c) Prepaid insurance ₹50

6. The proposals in respect of the following two projects are to be examined using (a) Pay back method and (b) Accounting Rate of Return method. 16 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