

**III B. TECH I SEMESTER REGULAR EXAMINATIONS, FEB - 2022**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**  
**(Common to CE, CSE and IT)**

Time: 3 Hours

Max. Marks: 60

**Note: Answer ONE question from each unit (5 × 12 = 60 Marks)**

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UNIT-I

1. a) Distinguish between Micro & Macro Economics. [6M]  
 b) Explain the law of demand with limitations. [6M]

(OR)

2. a) Discuss the methods of demand forecasting. [6M]  
 b) Explain the terms demand schedule and demand curve. [6M]

UNIT-II

3. a) Discuss the concept Marginal Rate of Technical Substitution [6M]  
 with an example.  
 b) Explain the cost output relationship in the long run. [6M]

(OR)

4. a) Discuss the significance and limitations of Break-Even [6M]  
 Analysis.  
 b) Subash & Brothers are involved in manufacturing a single [6M]  
 product. Following costs data is given about the product.  
 Selling price per unit – Rs.60  
 Variable Cost per unit – Rs.36  
 Fixed cost per annum – Rs.20,000  
 Calculate (a) PV Ratio (b) Break even sales (c) Sales to earn  
 a profit of Rs.6,000

UNIT-III

5. a) A monopolist can influence either price of output comment. [6M]  
 b) What are the features, advantages and disadvantages of a sole [6M]  
 trader

(OR)

6. a) Explain the following methods of pricing. [6M]  
 (i) Average Cost Pricing (ii) Market skimming pricing  
 b) Discuss the following phases of business cycles. [6M]  
 (i) Recession (ii) Recovery

UNIT-IV

7. a) Define Financial Accounting. Explain the objectives of [6M]  
 Financial Accounting.

- b) Prepare Journal entries in the books of Rakesh

[6M]

| Date       | Particulars                               | Amount<br>(in Rs) |
|------------|-------------------------------------------|-------------------|
| 01-02-2021 | Rakesh introduced Capital into Business   | 1,00,000          |
| 02-02-2021 | Purchases stock from Subba Rao & Bros     | 50,000            |
| 03-02-2021 | Sold Goods to Srinivas & Co for cash      | 15,000            |
| 04-02-2021 | Paid wages to workers                     | 5,000             |
| 05-02-2021 | Purchased office furniture from Anil & Co | 8,000             |
| 08-02-2021 | Withdraw cash for personal use            | 5,000             |

(OR)

8. a) Explain the significance of ratios for analyzing financial performance of an organization. [6M]

- b) Following is the Revenue Statement of Bharat Traders for the year ended 31-03-2021 [6M]

| Particulars                  | Amount<br>(in Rs) |
|------------------------------|-------------------|
| Sales                        | 5,00,000          |
| Less: Cost of Goods Sold     | <u>3,00,000</u>   |
| Gross Profit                 | 2,00,000          |
| Less: Operating Expenses     | <u>1,20,000</u>   |
| Operating Profit             | 80,000            |
| Add: Non-operating income    | <u>12,000</u>     |
|                              | 92,000            |
| Less: Non-operating Expenses | <u>4,000</u>      |
| Net Profit                   | 88,000            |
| Less: Tax 50%                | <u>44,000</u>     |
| Net Profit after tax         | <u>44,000</u>     |

Calculate

- (a) Gross Profit Ratio (b) Net Profit Ratio

UNIT-V

9. a) Define Capital. Discuss the different types of capital. [6M]

- b) Explain briefly profitability index method. [6M]

(OR)

10. A Limited Co. is considering the purchase of a machine. 2 Machines A & B are available. From the following information relating to two machines which of the two alternatives will be more profitable. The Average Rate of Tax may be taken at 50%. Use ARR Method. [12M]

| Particulars          | Machine A | Machine B |
|----------------------|-----------|-----------|
| Cost of Each Machine | 50,000    | 80,000    |
| Working Life         | 4 Years   | 6 Years   |
| Earnings Before Tax  |           |           |
| 1 <sup>st</sup> Year | 10,000    | 8,000     |
| 2 <sup>nd</sup> Year | 15,000    | 14,000    |
| 3 <sup>rd</sup> Year | 20,000    | 25,000    |
| 4 <sup>th</sup> Year | 15,000    | 30,000    |
| 5 <sup>th</sup> Year | –         | 18,000    |
| 6 <sup>th</sup> Year | –         | 13,000    |

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