MALLA REDDY COLLEGE OF ENGINEERING & TECHNOLOGY
(Autonomous Institution – UGC, Govt. of India)

UG Model question paper
Managerial Economics and Financial Analysis

Time:3hours   **Max Marks: 70**

Note: This question of 5 sections. Answer five questions, choosing one question from each section and each question paper contains carries 14 marks.

Section-I

1. a) what is managerial economics? Discuss the nature & Scope of Managerial economics [7M]

    b) What is demand forecasting? Explain various factors involved in demand forecasting.   [7M]

OR

2.   a) Explain Law of Demand with its exceptions [7M]
      b) Distinguish between Micro and Macroeconomic concepts (7M)

Section-II

3.   a) Define Production function. How can a producer find it useful? Illustrate.   (7M)

      b) Define Cost. Explain the different cost concepts used in the process of Cost Analysis.   (7M)

OR

4.   a) Discuss about the economies and diseconomies of scale.   (7M)

      b) Calculate the BEP in units and rupees using the following details: • Selling price per unit Rs. 100 • Variable cost per unit Rs. 60 • Fixed costs Rs. 20,000 • Actual sales Rs. 2,00,000   (7M)

Section-III

5.   a) Define Market. Explain the structure of market with suitable examples.

      b) Define partnership. Explain its features and evaluate it as against sole proprietorship OR

6.   a) what is price? Explain different methods of Pricing.   (7M)

      b) Explain the need for public enterprises in India. Do you think Public Enterprises as a whole have fulfilled that need?   (7M)

7. a) What are the accounting concepts that govern accounting process? Explain in brief. (7M) b) Explain the main sources have long term finance. (7M)

OR

8. a) Explain the factors affecting the requirements of working capital. (7M)

b) Explain about cash and capital budget. (7M)

Section-V

9. a) what is capital budgeting ? Explain methods of capital budgeting? (7M)

b) What is ratio analysis? Explain different types of ratio analysis (7M)

OR

10. a) Ram Enterprise is considering purchasing a CNC machine. The following are the earnings after tax from the two alternative proposal under consideration each costing Rs 8,00,000. Select the better proposal if the company wishes to operate @ 10% rate of return. (7M)

	Year 1	Year 2	Year 3	Year 4	Year 5
Proposal I	80,000	2,40,000	3,20,000	4,80,000	3,20,000
Proposal 2	2,40,000	3,20,000	4,00,000	2,40,000	1,60,000
Present value of Rs 1 @10%	0.909	0.826	0.751	0.683	0.620

b) What do you mean by capital budgeting? Explain its significance. (7M)

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Section-I

1. (a) Define managerial economics. Illustrate how it helps in solving managerial problems and explain the nature. (4M)

   (b) Explain different methods of demand forecasting   (6M)

   (c) Briefly explain elasticity of demand.   (4M)

OR

2. **(a)** What are the different kinds of elasticity of demand that are relevant to the manager of a firm? (7M)

   (b) How do you forecast demand for a new product?   (7M)

Section-II

3. (a) Explain the concepts of cost and explain their contribution to managerial decisions. [9M]

   (b) Explain production function.   [5M]

OR

4. (a) Discuss about isoquants.   [4M]

   (b) What is meant by breakeven analysis? Explain its advantages.   (4M)

   (c) Critically evaluate the law of diminishing marginal return.   (6M)

Section-III

5(a) Explain the types of competition.   [7M]

   (b) What is perfect competition and explain its features.   [7M]

OR

6.(a)Explain the state/public enterprises and their various forms.　　　　　　[7M]

(b) What is the importance of pricing in a business organization?　　　　　　[7M]

Section-IV

7(a)Write different types of shares　　　　　　　　　　　　　　[7M]

　(b) Define Financial Accounting. Explain the importance and Limitations of Financial Accounting. (7M)

OR

8.(a) what is accounting? Explain the principles of accounting.　　　　　　　(7M)

　(b) write the format and importance of balance sheet.　　　　　　　　(7M)

Section-V

9.(a)Illustrate the advantages and Disadvantages of NPV Method.　　　　　(7M)

(b)A firm is considering two projects each with an initial investment of Rs.20,000 and a life of 4 years.The following is the list of estimated cash inflows after taxes and depreciation.　　　　　(7M)

year	Proposal I	Proposal II	Proposal III
1	12500	11750	13500
2	12500	12250	12500
3	12500	12500	12250
4	12500	13500	11750
total	50000	50000	50000

Predict Accounting Rate of Return on (i) Average Capital (ii) Original Capital Employed

OR

10(a)discuss different types of liquidity and activity ratios　　　　　　　(7M)

　(b) A Company has an estimated Life of 4 years and an investment opportunity costing Rs.2,50,000 with the following expected Net Cash flow After Taxes and Before Depreciation.　　　　　(7M)

Years	Net cash flows (rs)	P.V. of Rs.1 @24% D.f
1	120000	0.806
2	90000	0.650
3	160000	0.524
4	30000	0.423

Calculate payback period and NPV using with 10% discounting factor

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Section-I

1.(a) Explain the influencing factors of the elasticity of demand.   (7M)

   (b) Define managerial economics and explain its areas   (7M)

OR

2.(a) What is demand forecasting? Explain various factors involved in demand forecasting.   (7M)

   (b) What is elasticity of demand? And explain its types and measurement.   (7M)
                                                                                              (7M)

Section-II

3.(a) Explain the importance production function and describe the salient features of Cobb-Douglas   (7M)
      production function

   (b) Describe the importance of Break-even analysis and Break-even point. (7M)

OR

4.(a) You are required to Determine i)P/V Ratio (ii) Break Even Point in Value (iii) Sales required to earn a profit of Rs.4,50,000 and (iv) Profit when Sales are Rs.21,60,000 from the following information (7M)

      Fixed Expenditure Rs.90,000, Variable
      Cost Per unit :

      Direct Material Rs.5
       Direct Labour Rs.2

      Direct Overheads 100% of Direct Labour
      Selling price per unit Rs.12/-

(b) The Sales Turnover and profit during two years were given as follows: (7M)

Years	2003	2004
Sales (Rs.)	1,00,000	1,20,000
Profit (Rs.)	15,000	23,000

You are required to Compute the following: i)P/V Ratio ii) Fixed Cost iii) Break Even Point (Value) ii) Sales required to earn a profit of Rs.20,000 iii) Profit when Sales are Rs.1,25,00

Section-III

(7M)

5.(a) define business. Explain its characteristics

(b) Explain the salient features of private limited and public limited companies   (7M)

OR

(7M)

6. (a) Describe the features of perfect competition.

(b) Make a comparison among Monopolistic, Monopoly and Oligopoly competition? (7M)

Section-IV

7.(a) Describe different types of capital.   (7M)

(b) explain about different methods and sources of capital   (7M)

OR

8.(a) Describe the advantages and disadvantages of double entry book keeping   (7M)

(b) Prepare Trial Balance of Mr.Rajaram as on 31.12.2005 from the following balances:

1. Sundry Debtors 32,000	9.Stock as on 1.1.2005 22,000
2. Cash in Hand 35	10. Cash at Bank 1,545
3. Plant &Machinery 17,500	11. Sundry Creditors 10,650
4. Trade expenses 1,075	12. Sales 2,34,500
5. Salaries 2,225	13.Carriage Outwards 400
6. Rent 900	14.Bills Payable 7,500
7. Purchases 2,18,870	15.Discount Allowed 1,100
8. Capital 79,500	16.Business Premises 34,500

Section-V

9.(a) Briefly explain the traditional methods of capital budgeting.   (7M)

(b) Briefly describe the modern methods of capital budgeting.   (7M)

OR

10 (a) describe the advantages and disadvantages of traditional methods of capital budgeting

(7M)

(b) The following is an extract of a balance sheet of a company during the last year. Compute current ratio and quick ratio. Also interpret the ratios.

(7M)

Land and buildings 1,50,000,   Plant and
machinery 3,00,000, Furniture and fixtures 1,25,000,
                                                Closing
stock 25,000,

Sundry debtors 62,500,   Wages prepaid 7,500,

Sundry creditors 18,000,   Rent outstanding 12,000