

Code No: 126EJ

R13

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

B. Tech III Year II Semester Examinations, December - 2019

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common to ECE, CSE, MMT)

Time: 3 hours

Max. Marks: 75

Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART – A

(25 Marks)

- 1.a) Explain Managerial Economics as defined by Prof. Spencer Seigelman. [2]
- b) What is the advantage of 'Test marketing' method of Demand forecasting? [3]
- c) Represent diagrammatically 'Expansion path'. [2]
- d) Why is an iso-quant curve used? What are the main assumptions of iso-quant curve? [3]
- e) Which pricing method is best suitable for Indian drug industry? Give reasons in support. [2]
- f) Explain the features of a Joint Stock Company (JSC)? Enlist five major JSCs in India. [3]
- g) A rupee received today will never worth the same as a rupee received tomorrow. Explain. [2]
- h) What do you understand by the term 'significance of capital'? [3]
- i) Highlight the significance of IFRS in changing business scenario. [2]
- j) What are various key differences between profit and loss account and a balance sheet? [3]

PART - B

(50 Marks)

- 2.a) Compare and contrast nature, scope and practical implications of Managerial and traditional economics.
- b) The price elasticity of demand is always negative by the law of demand. Explain. What are the drawbacks of using midpoint formula for price elasticity of demand? [5+5]

OR

- 3.a) Explain Law of demand with suitable examples. What are its exceptions?
- b) What do you understand by Determinants of Demand? Explain each with examples. [5+5]
- 4.a) Cobb–Douglas production function exhibits a very important technological relationship -the law of diminishing marginal product. Explain.
- b) Explain MRTS with a graphical representation. What is the significance of DMRTS as a production function? [5+5]

OR

5.a) From the following data:

Particulars	Rs.
Total sales	Rs. 2,00,000
Total Fixed Cost	Rs. 60,000
Selling price per unit	Rs.1.00
Variable cost per unit	Rs.0.40
Units produced and sold	Rs.2,00,000

Calculate:

i) The breakeven point for units and sales volume.

ii) Draw a graph and ascertain BEP.

b) What are the assumptions and Limitations of breakeven analysis? Explain with examples. [5+5]

6.a) Describe various production functions? How do Isocost lines help in finding least cost combination of inputs?

b) A firm is always interested in finding the combination that has least cost. Suggest a mechanism to determine the least cost combination of inputs. Support your mechanism with examples. [5+5]

OR

7.a) Explain various types of market structure with degree of competition.

b) Discuss various revenue curves with examples and schedule. [5+5]

8.a) The management of Fine Electronics Company is considering to purchase an equipment to be attached with the main manufacturing machine. The equipment will cost \$6,000 and will increase annual cash inflow by \$2,200. The useful life of the equipment is 6 years. After 6 years it will have no salvage value. The management wants a 20% return on all investments.

i) What will be the Net present value (NPV) of this investment project?

ii) Should the equipment be purchased according to NPV analysis? Justify your answer.

b) An initial investment of \$130,000 is expected to generate annual cash inflow of \$32,000 for 6 years. Depreciation is allowed on the straight line basis. It is estimated that the project will generate scrap value of \$10,500 at end of the 6th year. Calculate its accounting rate of return assuming that there are no other expenses on the project. [5+5]

OR

9.a) Highlight the importance of Operating cycle method for estimating working capital. What are the limitations of percentage of sales and regression analysis method?

b) Explain-

i) Equity capital

ii) Debt capital

iii) Specialty capital. [5+5]

10.a) Define the following terms

i) Liquidity Ratio

ii) Activity Ratio

iii) Profitability Ratio

b) DuPont analysis is a useful technique used to decompose the different drivers of return on equity (ROE). Explain. [5+5]

OR

11.a) What are the objectives of preparing a Trial Balance? Explain briefly Totals method of Preparing Trial Balance.

b) Explain need and implications of accounting conventions. [5+5]