

Code No: 55015

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JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

B. Tech III Year I Semester Examinations, February/March - 2016

MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS

(Common to ME, EIE, IT, MCT, AME, MIB, MIM)

Time: 3 hours

Max. Marks: 75

Answer any five questions  
All questions carry equal marks

1. Define the concept 'Managerial Economics'? How does it differ from economics? Discuss the nature and scope of managerial economics. [15]
2. Define and explain the concept 'Production Function'. Discuss in detail the 'Law of variable Proportions'. [15]
3. What are the assumptions of Breakeven Theory? With assumed data, illustrate how breakeven quantity and sales volume be computed. What are its limitations? [15]
4. Explain the features of Sole proprietorship and partnership firms. What factors influence the selection of a suitable form of business unit in private sector? [15]
5. Distinguish between 'Fixed Capital' and 'Working Capital'. What factors influence the volume of working capital needed by an organization? [15]
6. From the following, prepare the Trading and Profit and Loss account for the year ended 31<sup>st</sup> December, 2014 and the Balance Sheet as on that date:

Debit balances		Rs.	Credit Balances		Rs.
Drawings		2000	Capital		1,76,000
Furniture and Fixtures		12000	Raja's Loan a/c		20000
plant and machinery		1,00,000	Sales		4,68,000
Loose Tools		20,000	Returns Outwards		4000
Goodwill		10,000	Discounts		6000
Stock 1-1-2010		20000	Creditors		24,000
Purchases		2,12,000	Reserve for Bad Debts		2000
Returns Inwards		8,000			
Wages		1,00,000			
Carriage Inwards		12,000			
Salaries		41,600			
General Expenses and insurance		72,000			
Rent and Taxes		14,400			
Postage and Telegram		4,000			
Packing (Distribution)		8,000			
Sundry Debtors		48,000			
Nalini's a/c		2,000			
Cash at Bank		14,000			
<b>Total</b>		<b>7,00,000</b>			<b>7,00,000</b>

Adjustments:

- a) Stock as on 31-12-2014 was valued at Rs. 30,800
- b) Depreciate Plant and Machinery at 5% and Furniture and Fixtures at 6%. Loose tools are revalued at Rs. 16,000
- c) Proprietor drew Rs. 800 per month for personal use and interest on the same is 6%.

[15]

7. The following information is given about *M/s* Gowda Ltd. for the year ending Dec.31, 2014:

Share Capital	Rs. 8, 40,000
Bank Overdraft	Rs. 50,000
Working Capital	Rs. 2, 52,000
Current Ratio	2.5:1
Quick Ratio	1.5: 1
Gross Profit Ratio	20 % on sales
Stock Turnover Ratio	5 times
Sales for 2003	Rs. 5, 00,000
Trade Debtors	Rs. 70,000
Opening Creditors	Rs. 40,000
Closing Creditors	Rs. 30,000

Closing Stock is Rs. 20,000 higher than the opening stock

Find out the following.

- a) Current Assets and Current Liabilities.
- b) Cost of goods sold, Average stock and Purchases.
- c) Creditor's Turnover Ratio.
- d) Creditor's Payment Period.
- e) Debtor's Turnover Period.
- f) Debtor's Collection Period.
- g) Working Capital Turnover Ratio.

8. Write short notes on:

- a) Objectives of a demand forecast
- b) Net present value method
- c) Product differentiation.

[15]

[5+5+5]

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