III B.Tech. I Semester Supplementary Examinations February 2021
Managerial Economics and Financial Analysis
(Common to CE, ME & ECE)

Max. Marks: 70

Time: 3 Hours

Answer *all five* units by choosing one question from each unit (5 x 14 = 70 Marks)

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Marks   CO   Blooms Level

UNIT–I

1. Define Managerial Economics and Discuss its nature and scope.

OR

2. Explain any two principles of Managerial Economics.
   (a) Opportunity Cost Principle
   (b) Risk and Uncertainty Principle
   (c) Equi-Marginal Principle

UNIT–II

3. Discuss the Cost-Output Relationship in short run and long run.

OR

4. Explain the following demand forecasting methods
   (a) Consumers survey method
   (b) Regression Method

UNIT–III

5. Discuss the problems and remedies of Public Sector Business Organisations.

OR

6. Explain the following pricing methods
   (a) Market Skimming Pricing
   (b) Peak Load Pricing

UNIT–IV

7. Discuss double entry book keeping and state the procedure for preparing balance sheet of the firm at the end of financial year.

OR

8. A company is considering two mutually exclusive projects. Both require an initial investment of ₹ 10,000 each and have a life of five years. The cost of capital of the company is 10%. The estimated cash inflow of the two projects are as follows :

Year	1	2	3	4	5
Project A	4000	4000	4000	4000	4000
Project B	5000	6000	5400	4000	5000

You are required to calculate Net Present Value and suggest which project should be accepted. The PV factors at 10% from first year to fifth year are 0.909, 0.826, 0.751, 0.683 and 0.621 respectively.

UNIT–V

9. Explain the meaning of financial ratio and discuss its significance in analysing the financial performance of a firm.

OR

10. From the following information, you are required to prepare a Balance Sheet.
    (i)   Current Ratio – 1.75
    (ii)   Liquid Ratio – 1.25
    (iii) Stock Turnover Ratio (Cost of sales/closing stock) – 9
    (iv)   Gross Profit Ratio – 25 per cent
    (v)   Debt collection period – 1.5 months
    (vi)   Reserves and surplus to capital – 0.2
    (vii) Turnover to fixed assets – 1.2
    (viii) Capital gearing ratio – 0.6
    (ix)   Fixed Assets to net worth – 1.25
    (x)   Sales for the year ₹ 12,00,000

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