**PVP 14**

Code: CS8T1

# IV B.Tech - II Semester – Regular/Supplementary Examinations - March 2020

# MANAGERIAL ECONOMICS & FINANCIAL ANALYSIS
## (COMPUTER SCIENCE AND ENGINEERING)

Duration: 3 hours Max. Marks: 70

PART – A

Answer ***all*** the questions. All questions carry equal marks

11x 2 = 22 M

1.

a) Opportunity Cost Principle.

b) Demand Function.

c) Relatively Inelastic Demand.

d) Arc Method.

e) Census Method of Demand Forecasting.

f) Least Cost Combination of Inputs.

g) Increasing Returns to Scale.

h) Oligopoly.

i) Market Penetration.

j) Ledger.

k) Accounting Rate of Return.

## PART – B

Answer any ***THREE*** questions. All questions carry equal marks.
3 x 16 = 48 M

2. a) 'Managerial Economics is the application of economic theory to business management'. Discuss. 8 M

   b) Define Law of Demand. What are its exceptions? Explain. 8 M

3. a) What do you understand by elasticity of demand? Explain the factors governing it. 8 M

   b) Explain the survey methods of demand forecasting. 8 M

4. a) Discuss briefly the relationship among total product, average product and marginal product with the help of assumed data, represent graphically. 8 M

   b) From the following data find out 8 M
   (i) BEP (in units) (ii) Break Even Sales (in rupees)
   (iii) P/V ratio (iv) How many number of units sold to earn a profit of Rs.1,20,000/-.

   Number of units sold is 20,000 units, selling price per unit Rs.30/-, variable cost per unit is Rs. 15/- and fixed cost is Rs.80,000/-.

5. a) Define Monopoly? How are price and output determined under monopoly? 8 M

b) Define pricing? Describe the methods of pricing. 8 M

6. a) The following balances are extracted from the books of Chandra for the year ending 31st March, 2018. Prepare a Trading and Profit and Loss account and Balance sheet. 8 M

| **Particulars** | **Debit (Rs.)** | **Credit (Rs.)** |
|---|---|---|
| Capital | | 70,000 |
| Purchases | 40,000 | |
| Sales | | 75,000 |
| Returns | 2,000 | 5,000 |
| Opening Stock | 10,000 | |
| Loans | | 5,000 |
| Discounts | 1,000 | |
| Wages | 3,000 | |
| Debtors | 25,000 | |
| Creditors | | 5,000 |
| Cash in hand | 20,000 | |
| Cash at Bank | 10,000 | |
| Plant and Machinery | 30,000 | |
| Buildings | 10,000 | |
| Drawing | 5,000 | |
| Bills Receivable | 10,000 | |
| Bills Payable | | 6,000 |
| **Total** | **1,66,000** | **1,66,000** |

Adjustments:
i) Closing stock was valued at Rs. 30,000/-
ii) Provide Rs.5,000/- Doubtful Bad debts.

b) Consider the case of the company with the following two investment alternatives each costing ₹ 9,00,000. The details of the cash inflows are as follows: 8 M

| Year | Cash flows (in ₹) | |
|---|---|---|
| | Project-1 | Project- 2 |
| 1 | 3,00,000 | 6,00,000 |
| 2 | 5,00,000 | 4,00,000 |
| 3 | 6,00,000 | 3,00,000 |

| Years | PV Factor @ 10% |
|---|---|
| 1 | 0.909 |
| 2 | 0.826 |
| 3 | 0.751 |

The cost of capital is 10% per year. Which one will you choose under NPV Method?