



**SIDDARTHA INSTITUTE OF SCIENCE AND TECHNOLOGY: PUTTUR – 517583  
(AUTONOMOUS)**

Siddharth Nagar, Narayanavanam Road – 517583

**QUESTION BANK (DESCRIPTIVE)**

**Subject with Code:** MEFA (18HS0812)

**Course & Branch:** B.Tech – CSE/EEE

**Year & Sem:** III-B.Tech & I-Sem

**Regulation:** R18

**UNIT –I**

**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**

<b>1</b>	<b>a</b>	Define managerial economics?	[L1][CO1]	[2M]
	<b>b</b>	Define demand?	[L1][CO2]	[2M]
	<b>c</b>	What is Elasticity of demand?	[L1][CO2]	[2M]
	<b>d</b>	Explain income elasticity of demand?	[L2][CO2]	[2M]
	<b>e</b>	Elucidate Demand forecasting?	[L2][CO2]	[2M]
<b>2</b>	Define Managerial Economics. Explain its Nature and Scope.		[L2][CO1]	[10M]
<b>3</b>	"Managerial economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management". Explain.		[L3][CO1]	[10M]
<b>4</b>	What is the significance of Managerial Economics in decision making		[L2][CO1]	[10M]
<b>5</b>	Define demand and describe its determinants with suitable examples.		[L2][CO2]	[10M]
<b>6</b>	Distinguish between substitutes and complements with examples. How does this distinction of goods help in business decision making?		[L2][CO2]	[10M]
<b>7</b>	State the 'Law of Demand'. What are the various factors that determine the demand for a Mobile Phone?		[L3][CO2]	[10M]
<b>8</b>	Explain Cross Elasticity of Demand.		[L2][CO2]	[10M]
<b>9</b>	State the demand forecasting techniques.		[L2][CO2]	[10M]
<b>10</b>	What is Managerial Economics? How does it differ from economics?		[L2][CO1]	[10M]

**UNIT –II**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**

<b>1</b>	<b>a</b>	Cobb-Douglas production function.	[L1][CO1]	[2M]									
	<b>b</b>	What is Iso-quant ?	[L1][CO3]	[2M]									
	<b>c</b>	Explain Economies of scale?	[L2][CO3]	[2M]									
	<b>d</b>	Fixed vs variable cost.	[L2][CO2]	[2M]									
	<b>e</b>	What is MRTS?	[L1][CO2]	[2M]									
<b>2</b>	Explain the law of variable proportions with its various stages. What are the basic assumptions behind this law?		[L3][CO3]	[10M]									
<b>3</b>	Explain Iso-quant and Iso-cost curves and state characteristics.		[L2][CO3]	[10M]									
<b>4</b>	Explain 'Law of returns to scale'.		[L2][CO3]	[10M]									
<b>5</b>	State the different cost concepts.		[L3][CO2]	[10M]									
<b>6</b>	Define Break-even point and state the assumptions.		[L2][CO3]	[10M]									
<b>7</b>	<p>A firm has declared the following details about its sales:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Year 1</th> <th style="text-align: center;">Year 2</th> </tr> </thead> <tbody> <tr> <td>Sales (Rs.)</td> <td style="text-align: center;">1,50,000</td> <td style="text-align: center;">2,00,000</td> </tr> <tr> <td>Profit (Rs.)</td> <td style="text-align: center;">15,000</td> <td style="text-align: center;">25,000</td> </tr> </tbody> </table> <p>(i) Calculate PV Ratio. (ii) Find out the firm's BEP (iii) How much should the company produce and sell to earn profit of Rs.50, 000?</p>			Year 1	Year 2	Sales (Rs.)	1,50,000	2,00,000	Profit (Rs.)	15,000	25,000	[L5][CO2]	[10M]
	Year 1	Year 2											
Sales (Rs.)	1,50,000	2,00,000											
Profit (Rs.)	15,000	25,000											
<b>8</b>	<p>From the following information relating to Hi-Tech publishers you are required to find out (A) Break-even point in units (B) Margin of Safety (C) Profit. Also calculate the volume of sales to earn a profit of Rs.6,000.</p> <p>fixed costs – Rs.4,500,                      Total Variable costs – Rs.7,500</p> <p>Total sales        - Rs.25,000,              Units Sold                - 5000 units</p>		[L5][CO2]	[10M]									
<b>9</b>	What are the limitations and uses of Break-even analysis.		[L3][CO3]	[10M]									
<b>10</b>	Explain Long run production function.		[L2][CO3]	[10M]									

UNIT –III**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**

<b>1</b>	<b>a</b>	Explain types of competition.	[L2][CO4]	[2M]
	<b>b</b>	Differences between perfect competition and imperfect competition	[L3][CO4]	[2M]
	<b>c</b>	What are the objectives of pricing?	[L1][CO3]	[2M]
	<b>d</b>	Elucidate pricing policies.	[L3][CO3]	[2M]
	<b>e</b>	What is LPG?	[L2][CO3]	[2M]
<b>2</b>		Explain how price is determined under perfect competition.	[L2][CO3]	[10M]
<b>3</b>		Distinguish between monopoly and perfect competition.	[L3][CO4]	[10M]
<b>4</b>		Define Oligopoly and state the features	[L2][CO4]	[10M]
<b>5</b>		What are different methods of pricing followed by companies?	[L2][CO4]	[10M]
<b>6</b>		Explain the pricing strategies for a new product.	[L2][CO3]	[10M]
<b>7</b>		Explain briefly about New Economic Environment systems?	[L2][CO3]	[10M]
<b>8</b>		What is perfect competition? Describe its features?	[L3][CO4]	[10M]
<b>9</b>		What is meant by economic liberalization, economic privatization and globalization?	[L2][CO3]	[10M]
<b>10</b>		What are the different market structures?	[L3][CO3]	[10M]

**UNIT –IV**  
**MANAGERIAL ECONOMICS AND FINANCIAL ANALYSIS**

<b>1</b>	<b>a</b>	Define capital and explain types of capital.	[L1][CO5]	[2M]																								
	<b>b</b>	Explain Time-value-of-money.	[L2][CO6]	[2M]																								
	<b>c</b>	Define NPV.	[L1][CO6]	[2M]																								
	<b>d</b>	Explain components of working Capital.	[L2][CO6]	[2M]																								
	<b>e</b>	Explain accounting cycle.	[L2][CO5]	[2M]																								
<b>2</b>	Explain the types of Capital Budgeting methods.		[L1][CO6]	[10M]																								
<b>3</b>	Explain the major sources of Capital.		[L2][CO6]	[10M]																								
<b>4</b>	The cost of a project is Rs.50,000 which has an expected life of 5 years. The cash inflows for next 5 years are Rs.24,000; Rs.26,000; Rs.20,000; Rs.17,000 and Rs.16,000 respectively. Determine the Payback period.		[L5][CO5]	[10M]																								
<b>5</b>	<p>A business needs a new machine and has to make the choice between machine Y and Machine Z. The initial cost and net cash flow over five years to the business have been calculated for each machine as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>Machine Y</b></th> <th style="text-align: center;"><b>Machine Z</b></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><b>Initial cost</b></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;"><b>Net cash flow</b></td> <td style="text-align: center;">20,000</td> <td style="text-align: center;">28,000</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">8,000</td> <td style="text-align: center;">10,000</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">12,000</td> <td style="text-align: center;">12,000</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">9,000</td> <td style="text-align: center;">12,000</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">7,000</td> <td style="text-align: center;">9,000</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">6,000</td> <td style="text-align: center;">9,000</td> </tr> </tbody> </table> <p>Only one machine is needed, calculate : i) Pay Back Period ii) Accounting rate of Return</p>			<b>Machine Y</b>	<b>Machine Z</b>	<b>Initial cost</b>			<b>Net cash flow</b>	20,000	28,000	1	8,000	10,000	2	12,000	12,000	3	9,000	12,000	4	7,000	9,000	5	6,000	9,000	[L5][CO6]	[10M]
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<b>6</b>	<p>A project involves initial outlay of Rs. 1,29,000. Its working life is expected to be 3 years. The cash inflows are likely to be as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">Inflows</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">64000</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">56000</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">24000</td> </tr> </tbody> </table> <p>Compute the IRR.</p>		Year	Inflows	1	64000	2	56000	3	24000	[L5][CO6]	[10M]																
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<b>7</b>	<p>Consider the case of the company with the following two investment alternatives each costing Rs.9 lakhs. The details of cash inflows are as follows:</p>		[L5][CO6]	[10M]																								

	<b>Year</b>	<b>Project 1</b>	<b>Project 2</b>		
	1	3,00,000	6,00,000		
	2	5,00,000	4,00,000		
	3	6,00,000	3,00,000		
	The cost of capital is 10% per year. Which are will you choose				
	(b) NPV method.				
	(B) Under IRR method.				
<b>8</b>	What is the importance of Capital budgeting and its limitation?			[L1][CO6]	[10M]
<b>9</b>	How do the discounting models differ from non- discounting models?			[L2][CO6]	[10M]
<b>10</b>	What do you understand by time value of money? How is it helpful in Capital Budgeting?			[L1][CO6]	[10M]



<b>8</b>	Alpha Manufacturing Co. has drawn up the following Profit and Loss Account for the year ended 31 <sup>st</sup> March, 2012.	[L5][CO5]	[10M]																																							
<table border="1"> <thead> <tr> <th data-bbox="261 232 699 293">Particulars</th> <th data-bbox="699 232 855 293">Rs.</th> <th data-bbox="855 232 1267 293">Particulars</th> </tr> </thead> <tbody> <tr> <td data-bbox="261 293 699 360">To Opening Stock</td> <td data-bbox="699 293 855 360">26,000</td> <td data-bbox="855 293 1267 360">By Sales</td> </tr> <tr> <td data-bbox="261 360 699 427">To Purchases</td> <td data-bbox="699 360 855 427">80,000</td> <td data-bbox="855 360 1267 427">By Closing Stock</td> </tr> <tr> <td data-bbox="261 427 699 495">To Wages</td> <td data-bbox="699 427 855 495">24,000</td> <td data-bbox="855 427 1267 495"></td> </tr> <tr> <td data-bbox="261 495 699 562">To Manufacturing Expenses</td> <td data-bbox="699 495 855 562">16,000</td> <td data-bbox="855 495 1267 562"></td> </tr> <tr> <td data-bbox="261 562 699 629">To Gross Profit c/d</td> <td data-bbox="699 562 855 629">52,000</td> <td data-bbox="855 562 1267 629"></td> </tr> <tr> <td data-bbox="261 629 699 685"></td> <td data-bbox="699 629 855 685"><b>198000</b></td> <td data-bbox="855 629 1267 685"></td> </tr> <tr> <td data-bbox="261 685 699 786">To Selling and Distribution Exp.</td> <td data-bbox="699 685 855 786">4,000</td> <td data-bbox="855 685 1267 786">By Gross Profit</td> </tr> <tr> <td data-bbox="261 786 699 853">To Administrative Exp.</td> <td data-bbox="699 786 855 853">22,800</td> <td data-bbox="855 786 1267 853">Commission Received</td> </tr> <tr> <td data-bbox="261 853 699 920">To General Exp.</td> <td data-bbox="699 853 855 920">1,200</td> <td data-bbox="855 853 1267 920"></td> </tr> <tr> <td data-bbox="261 920 699 1021">To Value of furniture lost by Fire</td> <td data-bbox="699 920 855 1021">800</td> <td data-bbox="855 920 1267 1021"></td> </tr> <tr> <td data-bbox="261 1021 699 1088">To Net Profit</td> <td data-bbox="699 1021 855 1088">28,000</td> <td data-bbox="855 1021 1267 1088"></td> </tr> <tr> <td data-bbox="261 1088 699 1142"></td> <td data-bbox="699 1088 855 1142"><b>56,800</b></td> <td data-bbox="855 1088 1267 1142"></td> </tr> </tbody> </table>				Particulars	Rs.	Particulars	To Opening Stock	26,000	By Sales	To Purchases	80,000	By Closing Stock	To Wages	24,000		To Manufacturing Expenses	16,000		To Gross Profit c/d	52,000			<b>198000</b>		To Selling and Distribution Exp.	4,000	By Gross Profit	To Administrative Exp.	22,800	Commission Received	To General Exp.	1,200		To Value of furniture lost by Fire	800		To Net Profit	28,000			<b>56,800</b>	
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<p>You are required to find out :</p> <p>a) Gross Profit Ratio                      b) Net Profit Ratio      c) Operating Ratio</p>																																										
<b>9</b>	<p>a) Calculate debtors turnover ratio and debtors collection period, if credit sales for the year Rs.9,00,000, debtors Rs.90,000 and bills payable Rs.60,000.</p> <p>b) Calculate the acid test ratio , if current assets Rs.8,00,000; Current liabilities Rs.4,00,000; and Stock Rs. 2,20,000.</p>	[L5][CO6]	[10M]																																							
<b>10</b>	<p>Journalise the following transactions in the books of Amrutha.</p> <p>2012, Jan 1    Amrutha commenced business with cash Rs.50,000</p> <p>2                Purchased goods for cash Rs.10,000</p> <p>3                Purchased goods from Mohan Rs.6,000</p> <p>7                Paid into bank Rs.5,000</p> <p>10               Purchased furniture Rs.2000</p> <p>20               Sold goods to Suresh on credit Rs.5,000</p> <p>25               Cash sales Rs. 3,500</p> <p>26               Paid to Mohan on account Rs.3,000</p> <p>31               Paid salaries Rs.2,800</p>	[L5][CO5]	[10M]																																							