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INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Four Year B.Tech V Semester End Examinations(Regular) - November, 2019

Regulation: IARE – R16

BUSINESS ECONOMICS AND FINANCIAL ANALYSIS

Time: 3 Hours

(Common to CSE | IT | ECE | EEE | ME | CE)

Max Marks: 70

Answer ONE Question from each Unit

All Questions Carry Equal Marks

All parts of the question must be answered in one place only

UNIT – I

1. (a) Define business economics. Explain the nature of business economics. [7M]
- (b) Define income elasticity of demand and explain the various types of income elasticity of demand. [7M]
2. (a) What is demand forecasting? Explain the methods of demand forecasting. [7M]
- (b) Explain the techniques of measuring price elasticity of demand. [7M]

UNIT – II

3. (a) What are the uses of production function in decision making? [7M]
- (b) The sales turnover and profit during two years are as shown in Table 1:

Table 1

Year	Sales (Rs)	Profit (Rs)
2015	1,40,000	15,000
2016	1,60,000	20,000

- Calculate i) P/V Ratio ii) Break-even point iii) Sales required to earn a profit of Rs.40,000
iv) Fixed expenses v) Profit when sales are Rs.1,20,000 [7M]
4. (a) Define Break-Even analysis? Briefly explain the significance of Break-Even Analysis and write its limitations. [7M]
 - (b) What is Iso- Quant? Discuss in detail about the features of an Iso- Quant. [7M]

UNIT – III

5. (a) Define monopoly. Explain its features. How is price under monopoly determined? [7M]
- (b) People are becoming more conscious about health and fitness. This indicates the government's attitude towards this business. Identify the business environment under three different dimensions. [7M]

[7M]

6. (a) Define oligopoly with suitable examples. What are features of perfect competition and oligopoly. [7M]
- (b) Differentiate between sole trader and partnership. Explain the characteristics of sole trading business. [7M]

UNIT – IV

7. (a) Explain the determinants of working capital for a startup company. [7M]
- (b) A company has to make a choice between two projects namely A and B. The initial capital outlay of two projects are Rs.1,35,000 and Rs.2,40,000 respectively for A and B. The opportunity cost of capital of the company is 16%. The annual cash flows are as under:

Table 2

Year	Project A	Project B	Discounting Factor 16%
1	—	64,000	0.862
2	30,000	84,000	0.743
3	1,32,000	96,000	0.641
4	84,000	1,02,000	0.552
5	84,000	90,000	0.476

You are required to calculate net present value and profitability index. [7M]

8. (a) Define capital budgeting. Bring out the features and objectives of capital budgeting. [7M]
- (b) What is meant by working capital cycle? Discuss the various sources of capital. [7M]

UNIT – V

9. (a) Define financial accounting and discuss the objectives of financial accounting. [7M]
- (b) Calculate gross profit ratio from the following information: Opening stock Rs. 50,000; closing stock Rs. 75,000; cash sale Rs. 1,00,000; credits sales Rs 1,70,000; Returns outwards Rs. 15,000; purchases Rs. 2,90,000; advertisement expenses Rs. 30,000; carriage inwards Rs. 10,000. [7M]
10. (a) Write the significance of trial balance. Sketch different methods of preparing trial balance. [7M]
- (b) Write Journal Entries in the books of Mr. Bhavani Sankar from the following transactions 2002.
- Jan.1st business commenced with Rs.15,000
 - Jan.2nd cash deposited in bank Rs.10,000
 - Jan. 3rd sold goods for cash Rs.7,000
 - Jan. 4th purchased goods from Vijay Rs.3,000
 - Jan. 5th machinery purchased for Rs.5,000
 - Jan.30th rent paid Rs.2,000
 - Jan 31st discount allowed to Mr.John Rs.3,000
 - Jan 31st discount received by Mr. Amar Rs.500
- [7M]