Hall Ticket No ⬜⬜⬜⬜⬜⬜⬜⬜⬜⬜

Question Paper Code: AHSB14

# INSTITUTE OF AERONAUTICAL ENGINEERING
## (Autonomous)
Four Year B.Tech III Semester End Examinations(Regular) - November, 2019
**Regulation: IARE – R18**
**BUSINESS ECONOMICS AND FINANCIAL ANALYSIS**

Time: 3 Hours         (Common to CSE | IT)         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) What is law of demand? Discuss the exceptions to the law of demand. **[7M]**

2. (a) What is price elasticity of demand? Explain the types of price elasticity of demand. **[7M]**

   (b) What is the purpose of forecasting? Discuss the factors involved in demand forecasting. **[7M]**

## UNIT – II

3. (a) Explain the law of variable proportions in detail. **[7M]**

   (b) Consider the following data of a company for the year 1997: Sales= Rs 1,20,000,
   Fixed cost = Rs 25,000, Variable cost = Rs 45,000 Find i) Contribution ii) Profit iii) BEP
   iv) Margin of safety **[7M]**

4. (a) What is break-even analysis? Explain it through the break-even chart. **[7M]**

   (b) A company sold 20,000 units at a price of Rs.30 per unit. The variable cost is Rs.15 per unit and
   fixed cost is Rs.2,40,000. Calculate BEP, Margin of safety, and Sales to get a profit of
   Rs. 1,80,000. **[7M]**

## UNIT – III

5. (a) How are price and output determined under monopoly? **[7M]**

   (b) Define sole trader form of organization? Discuss the merits and demerits of sole trader form of
   business organization **[7M]**

6. (a) Discuss the advantages and disadvantages of a partnership form of business organization. **[7M]**

   (b) Define joint stock company. Explain the features of a joint stock company. **[7M]**

## UNIT – IV

7.  (a) What is working capital? Explain the factors determining the working capital requirements. **[7M]**

    (b) Discuss the various methods and sources of raising capital for an organization. **[7M]**

8.  (a) Define capital budgeting. Discuss various methods of capital budgeting **[7M]**

    (b) M&M has two proposals each costing Rs.10,00,000/-, the details of cash flows are given in Table 1:

Table 1

| Year | Project P Rs. | Project Q Rs. |
|------|---------------|---------------|
| 1 | 3,50,000 | 6,00,000 |
| 2 | 5,00,000 | 4,00,000 |
| 3 | 6,50,000 | 3,50,000 |
| 4 | 2,50,000 | 3,50,000 |

    The cost of capital is 10%. Which one will you choose under NPV method? **[7M]**

## UNIT – V

9.  (a) Define financial accounting. List out different types of accounting concepts and conventions. **[7M]**

    (b) Record the following transactions in the books of Mr.Bharat Kumar 2010,
    July 1st Cheque Issued to Charan Rs.7,000
    July 9th Machinery Purchased on cash Rs.12,000
    July 10th Furniture sold for cash Rs.8,000
    July 11th Salaries paid Rs.15,000
    July 12th Rent received Rs.5,000
    July 28th Rent paid to Landlord Rama Rao Rs.13,000
    July 29th Commission received from Sujatha Rs.10,000
    July 30th Goods purchased from Krishna on cash Rs.20,000
    July 31st Goods sold to Gopal for cash Rs.3000
    July 31st Wages paid by cheque Rs.50,000 **[7M]**

10. (a) Explain with examples how you would use ratio analysis to understand financial statements? **[7M]**

    (b) The earnings before interest and taxes of a company is Rs 5,60,000. Its fixed commitments include payment of 10 percent on 7000 debentures of Rs 100 each. It is subject to tax of 30 percent per annum. Calculate interest coverage ratio. **[7M]**