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Question Paper Code: AHS015

**INSTITUTE OF AERONAUTICAL ENGINEERING****(Autonomous)****Dundigal, Hyderabad - 500 043****MODEL QUESTION PAPER**

III B.Tech I Semester End Examinations, December - 2019

**Regulation: IARE-R16****BUSINESS ECONOMICS AND FINANCIAL ANALYSIS****(common to all branches)****Time: 3 Hours****Max Marks: 70**

Answer any 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. Describe the nature and scope of Business Economics. [7M]  
b) Define price elasticity of demand. Discuss different types of price elasticity of demand. [7M]
- 2 a) Explain the determination procedure of price elasticity of demand under total expenditure method. [7M]  
b) Define Demand Forecasting. Illustrate different methods of Demand Forecasting. [7M]

**UNIT – II**

- 3 a) Define break-even analysis. Examine the significance and limitations of break even analysis. [7M]  
b) The Sales Turnover and profit during two years were given in the Table 1 as follows: [7M]

Years	2003	2004
Sales (Rs.)	1,00,000	1,20,000
Profit (Rs.)	15,000	23,000

**Table 1**

Compute the (i)P/V Ratio (ii) Fixed Cost (iii) Break Even Point (Value) (iv) Sales required to earn a profit of Rs.20,000 (v) Profit when Sales are Rs.1,25,000.

- 4 a) Describe the meaning of internal economies. Discuss different types of internal economies. [7M]  
b) Determine i)P/V Ratio (ii) Break Even Point in Value (iii) Sales required to earn a profit of Rs.4,50,000 and (iv) Profit when Sales are Rs.21,60,000 from the following Table 2: [7M]

Particulars	Amount (Rs.)
Fixed Expenditure	90,000
<u>Variable Cost Per unit :</u>	
Direct Material	5
Direct Labour	2
Direct Overheads	100% of Direct Labour
Selling price per unit	12

**Table 2**

### UNIT – III

- 5 a) Define Perfect competition market. Examine the equilibrium price determination under perfect competition market. [7M]  
 b) Define Partnership firm. State the features and merits of Partnership firm. [7M]
- 6 a) Define Monopoly market. Describe the price-output determination under Monopoly market. [7M]  
 b) Define Joint Stock Company. Illustrate the features and merits of Joint Stock Company. [7M]

### UNIT – IV

- 7 a) Discuss the factors which are influencing on working capital requirements. [7M]  
 b) A Company has an estimated Life of 4 years and an investment opportunity costing Rs.2,50,000 with the following expected Net Cash flow After Taxes and Before Depreciation which are given in Table 3 as follows: [7M]

Years	Net Cash Flows (Rs.)	PV of Rs.1 @24% D.f
1	1,20,000	0.806
2	90,000	0.650
3	1,60,000	0.524
4	30,000	0.423

**Table 3**

Compute (i) Net Present Value @24% D.f. (ii) Profitability Index @24% D.f. (iii) Pay Back Period.

- 8 a) Define capital budgeting. Demonstrate the significance and limitations of capital budgeting. [7M]  
 b) A firm is considering three proposals each with an initial investment of Rs.20,000 and a life of 4 years. The following is the list of estimated cash inflows after taxes and depreciation. Predict Accounting Rate of Return on (i) Average Capital (ii) Original Capital Employed from the following given Table 4: [7M]

Years	Proposal-I	Proposal-II	Proposal-III
1	12,500	11,750	13,500
2	12,500	12,250	12,500
3	12,500	12,500	12,250
4	12,500	13,500	11,750
Total	50,000	50,000	50,000

**Table 4**

### UNIT – V

- 9 a) Define double entry system. Describe the advantages and disadvantages of double entry system. [7M]  
 b) From the following Trial balance given in Table 3 and adjustments, show Trading and Profit & Loss A/c for the year ending 31-12-2003 and Balance Sheet as on that date given in Table 5 as under: [7M]

Sl. No.	Heads of Accounts	L.F	Debit Balance (Rs.)	Credit Balance (Rs.)
1.	Electricity		14,000	
2.	Discount			22,000
3.	Interest		16,000	
4.	Wages		50,000	
5.	Opening Stock		20,000	

6.	Rent		24,000	
7.	Sales			8,00,000
8.	Purchases		3,00,000	
9.	Office Expenses		30,000	
10.	Land & Building		5,40,000	
11.	Salaries		90,000	
12.	Returns		20,000	10,000
13.	Power & Gas		30,000	
14.	Debtors & Creditors		60,000	75,000
15.	Capital			3,02,000
16.	Furniture		15,000	
17.	Sundry Debtors		60,000	
	TOTAL		12,09,000	12,09,000

**Table 5**

**Adjustments:**

1. Closing Stock Rs.80,000.
2. Outstanding Salaries Rs.10,000.
3. Depreciate Buildings by 10% p.a.

- 10 a) Define ratio analysis. Demonstrate the significance and limitations of ratio analysis. [7M]
- b) You are required to calculate (1) Current ratio (2) Quick ratio (3) Absolute liquidity ratio from the following balance sheet which was given on 31-3-2011 in the given Table 6 as follows: [7M]

<b>Liabilities</b>	<b>Amount (Rs.)</b>	<b>Assets</b>	<b>Amount (Rs.)</b>
Equity Share Capital	10,00,000	Goodwill	5,00,000
6% Preference Share Capital	5,00,000	Plant & Machinery	6,00,000
General Reserve	1,00,000	Land & Building	7,00,000
P & L Account	4,00,000	Furniture	1,00,000
12% Debentures	5,00,000	Bills Receivables	30,000
Creditors	80,000	Closing stock	6,00,000
Bank O.D	20,000	Debtors	1,50,000
Bills Payable	1,24,000	Bank Balance	2,00,000
Provision for Taxation	1,76,000	Marketable Securities	20,000
	<b>29,00,000</b>		<b>29,00,000</b>

**Table 6**



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## COURSE OBJECTIVES (COs):

The course should enable the students to:

I	Understand the concepts of managerial economics and financial analysis for optimal decision making in business environment.
II	Analyze the market dynamics namely demand, elasticity of demand and pricing in different market structures.
III	Gain the knowledge on the production theories and cost analysis while dealing with the production and factors of production.
IV	Introduce the concepts of cost and significance, limitation of Break even analysis.
V	Study the various pricing methods which are adopted in attracting the potential customers for the different commodities.

## COURSE LEARNING OUTCOMES (CLOs):

Students who complete the course will have demonstrated the ability to do the following.

AHS015.01	Describe the economic activities performed by the businessmen in the business for profit earning.
AHS015.02	Understand the significance of demand, its analysis, measurement of demand and its elasticity of demand and demand forecasting.
AHS015.03	Write the production function through the Cobb Douglas Production Function and breakeven point.
AHS015.04	Design and implement different structures of market covering how price is determined under different market structures.
AHS015.05	Analyze different forms of business organizations existing in the modern business.
AHS015.06	Describe the allocation of capital which plays a vital role in a business organization
AHS015.07	Demonstrate the concept of capital budgeting and allocations of the resources through capital budgeting methods
AHS015.08	Apply the Principle of double entry to give an exposure to the maintenance of books of records and allocation of profits in an enterprise.
AHS015.09	Explain the significance and objectives of trial balance and final accounts for knowing arithmetical accuracy of books of accounts, earning capacity and financial position of business enterprise.
AHS015.10	Understand the Ratio analysis to give an idea about financial forecasting, financial planning, controlling the business and decision making.

## MAPPING OF SEMESTER END EXAMINATION TO COURSE LEARNING OUTCOMES:

SEE Question No.		Course Learning Outcomes (CLOs)		Blooms Taxonomy Level
1	a	AHS015.01	Describe the economic activities performed by the businessmen in the business for profit earning.	Understand
	b	AHS015.02	Understand the significance of demand, its analysis, measurement of demand and its elasticity of demand and demand forecasting.	Understand
2	a	AHS015.02	Understand the significance of demand, its analysis, measurement of demand and its elasticity of demand and demand forecasting.	Remember
	b	AHS015.02	Understand the significance of demand, its analysis, measurement of demand and its elasticity of demand and demand forecasting.	Remember

3	a	AHS015.03	Write the production function through the Cobb Douglas Production Function and breakeven point.	Remember
	b	AHS015.03	Write the production function through the Cobb Douglas Production Function and breakeven point.	Remember
4	a	AHS015.03	Write the production function through the Cobb Douglas Production Function and breakeven point.	Remember
	b	AHS015.03	Write the production function through the Cobb Douglas Production Function and breakeven point.	Remember
5	a	AHS015.04	Design and implement different structures of market covering how price is determined under different market structures.	Understand
	b	AHS015.05	Analyze different forms of business organizations existing in the modern business.	Understand
6	a	AHS015.04	Design and implement different structures of market covering how price is determined under different market structures.	Understand
	b	AHS015.05	Analyze different forms of business organizations existing in the modern business.	Understand
7	a	AHS015.06	Describe the allocation of capital which plays a vital role in a business organization	Understand
	b	AHS015.07	Demonstrate the concept of capital budgeting and allocations of the resources through capital budgeting methods	Remember
8	a	AHS015.07	Demonstrate the concept of capital budgeting and allocations of the resources through capital budgeting methods	Remember
	b	AHS015.07	Demonstrate the concept of capital budgeting and allocations of the resources through capital budgeting methods	Understand
9	a	AHS015.08	Apply the Principle of double entry to give an exposure to the maintenance of books of records and allocation of profits in an enterprise.	Remember
	b	AHS015.09	Explain the significance and objectives of trial balance and final accounts for knowing arithmetical accuracy of books of accounts, earning capacity and financial position of business enterprise.	Understand
10	a	AHS015.10	Understand the Ratio analysis to give an idea about financial forecasting, financial planning, controlling the business and decision making.	Understand
	b	AHS015.10	Understand the Ratio analysis to give an idea about financial forecasting, financial planning, controlling the business and decision making.	Analyze

**Signature of Course Coordinator**

**HOD, MBA**