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Question Paper Code: AHSB14

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

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

Regulation: IARE-R18**BUSINESS ECONOMICS AND FINANCIAL ANALYSIS
(CSE/IT)****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]

| Liabilities | Amount (Rs.) | Assets | Amount (Rs.) |
|-----------------------------|---------------------|-----------------------|---------------------|
| 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 |
| | 29,00,000 | | 29,00,000 |

Table 6



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal, Hyderabad - 500 043

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