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INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

(Dundigal-500043, Hyderabad)

B.Tech V SEMESTER END EXAMINATIONS (REGULAR) - DECEMBER 2022

Regulation:UG20

BUSINESS ECONOMICS AND FINANCIAL ANALYSIS

Time: 3 Hours

(Common to AE | ECE | EEE | ME |CE)

Max Marks: 70

Answer ALL questions in Module I and II

Answer ONE out of two questions in Modules III, IV and V

All Questions Carry Equal Marks

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

MODULE – I

- What are the factors governing the demand forecasting? How do they help in determining the demand for any product? Give a hypothetical example. [BL: Understand| CO: 1|Marks: 7]
 - “When the demand is elastic, the price reduction will increase total revenue.” Elaborate this and explain on the basis of relevant theories, giving examples [BL: Apply| CO: 1|Marks: 7]

MODULE – II

- Classify different types of production functions and returns to scale. How does long run production function differ from short run production function? [BL: Understand| CO: 2|Marks: 7]
 - The fixed cost for the year 2019 are Rs. 80000. The estimated sales for the period are valued at Rs. 200000. The variable cost per unit for the single product made is Rs. 4. If each unit sales at Rs. 20 and the number of units involved coincides with the expected volume of output, construct the break even chart.
 - Determine the break even point
 - Above how many units the company should produce in order to seek profit.
 - Determine the profit earned at a turn of Rs. 160000
 - Find the margin of safety [BL: Apply| CO: 2|Marks: 7]

MODULE – III

- Elucidate the nature of partnership firm. Compare and contrast this form of organization with limited liability company. [BL: Understand| CO: 3|Marks: 7]
 - Analyze the conditions of equilibrium of an individual firm under perfect completion both in the short run and the long run. [BL: Apply| CO: 3|Marks: 7]
- Interpret the salient feature of Monopoly and Oligopoly. Bring out the essential differences between monopoly and monopolist market. [BL: Understand| CO: 4|Marks: 7]
 - How are public undertakings classified? Critically evaluate various forms of public undertakings in India. What changes have taken place in public undertakings in India during post-liberalization era? [BL: Apply| CO: 4|Marks: 7]

MODULE – IV

5. (a) Describe the importance of capital and capital budgeting and explain the estimation of fixed and working capital requirement [BL: Understand| CO: 5|Marks: 7]
- (b) A businessman is evaluating two alternative proposals for acquiring machinery with a capital outlay of Rs. 5,00,000 for Proposal A, or alternately Rs.3,00,000 for Proposal B with no salvage value for either of them. Estimated life for either of them: 5 Years The annual cash flow details estimated are as follows: [BL: Apply| CO: 5|Marks: 7]

Table 1

Year	Proposal A (Rs.)	Proposal B (Rs.)
1	70,000	1,00,000
2	90,000	90,000
3	1,12,000	1,00,000
4	1,20,000	1,20,000
5	2,00,000	1,50,000

Calculate

- Payback period method
 - Accounting rate of return method and
 - Net present value method at a discounting rate of 5% and give your recommendation.
6. (a) List and explain the sources of raising long term finance for an enterprise. What are the sources of capital for acquiring fixed assets? [BL: Understand| CO: 5|Marks: 7]
- (b) A company has Rs. 100 lakhs for investment and considering two projects each of which requires exactly the same initial investment. Both of them have no salvage value. The cost of capital is 15%. The company has to choose only one of them. Given the following estimated cash flows shown in Table 2, arrive at a decision using NPV approach.
- Estimated cash flow of the two projects A and project B:

Table 2

Year	Project A (Rs. in lakh)	Project B (Rs. in lakh)
1	30	00
2	30	20
3	30	20
4	30	50
5	30	90

[BL: Analyze| CO: 5|Marks: 7]

MODULE – V

7. (a) Summarize the various accounting concepts and conventions through additional information or adjustments. [BL: Understand| CO: 6|Marks: 7]
- (b) For each transaction of XXX Company during April 2021, prepare the journal entry.
- i) Purchased laptop computers for Rs.3,55,000 from Dell Corporation on credit.
 - ii) Paid Rs.2,000 cash for April rent on office space.
 - iii) Received Rs.22,500 cash from customers who received services last month.
 - iv) Provided services to Jasmine Co. for Rs.10,000 cash.
 - v) Paid Office Depot Rs.3,000 cash for office supplies purchased and used in April.
 - vi) Stockholders contributed an additional Rs.30,000 in the business in exchange for common stock.
 - vii) Paid Dell for computers purchased in transaction earlier.
 - viii) Incurred advertising expense for April Rs.1,200 on account. [BL: Apply| CO: 6|Marks: 7]
8. (a) What do you mean by ratio analysis? The liquidity of a business firm is measured by its ability to satisfy its long-term obligations as they become due. What are the ratios used for this purpose? [BL: Understand| CO: 6|Marks: 7]
- (b) From the following information given in Table 3 calculate: (i) Gross profit ratio (ii) Inventory turnover ratio (iii) Current ratio (iv) Liquid Ratio (v) Net profit ratio (vi) Working capital ratio [BL: Apply| CO: 6|Marks: 7]

Table 3

Revenue from Operations	Rs. 25,20,000
Net Profit	Rs. 3,60,000
Cost of Revenue from Operations	Rs. 19,20,000
Long-term Debts	Rs. 9,00,000
Trade Payables	Rs. 2,00,000
Average Inventory	Rs. 8,00,000
Liquid Assets	Rs. 7,60,000
Fixed Assets	Rs. 14,40,000
Current Liabilities	Rs. 6,00,000
Net Profit before Interest and Tax	Rs. 8,00,000

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