

# **INSTITUTE OF AERONAUTICAL ENGINEERING**

(Autonomous) Dundigal-500043, Hyderabad

B.Tech IV SEMESTER END EXAMINATIONS (REGULAR) - JULY 2022

Regulation:UG20

BUSINESS ECONOMICS AND FINANCIAL ANALYSIS

Time: 3 Hours(Common to CSE | CSE(DS) | CSE(CS) | CSIT | EEE)

Max Marks: 70

#### Answer ALL questions in Module I and II Answer ONE out of two questions in Modules III, IV and V

(NOTE: Provision is given to answer TWO questions from among one of the Modules III / IV / V

All Questions Carry Equal Marks

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

# MODULE - I

- 1. (a) Classify demand forecasting functions. How demand of a particular commodity can be forecasted? [BL: Understand| CO: 1|Marks: 7]
  - (b) List the assumptions of law of demand. Discuss the conditions, under which the law of demand is applicable [BL: Apply] CO: 1|Marks: 7]

# $\mathbf{MODULE}-\mathbf{II}$

2. (a) Explain why a firm cannot have isoquants intersecting each other. Use the isoquant and isocost curves, how a producer minimizes his cost for a given level of output.

[BL: Understand CO: 2|Marks: 7]

(b) A firm sells each unit of its output for Rs.20. Its variable cost per unit is Rs.15 and fixed cost is Rs.2,40,000. It wishes to earn a profit of 30,000. How much should it produce? Estimate profit or loss when the company produces and sells 80,000 units?
(BL: Apply| CO: 2|Marks: 7]

## $\mathbf{MODULE}-\mathbf{III}$

- 3. (a) Discuss the nature of partnership firm. Compare and contrast this form of organization with limited liability company. [BL: Analyze] CO: 3|Marks: 7]
  - (b) Interpret the various features of a perfectly competitive market. Determine price and output of a commodity under perfect competition. [BL: Apply] CO: 4|Marks: 7]
- 4. (a) Outline the essential differences and salient features of monopolist and oligopoly markets.

[BL: Understand| CO: 4|Marks: 7]

(b) Describe in detail the following i) Public company ii) Government Company iii) Private company.
[BL: Understand] CO: 4|Marks: 7]

# $\mathbf{MODULE}-\mathbf{IV}$

5. (a) Describe briefly net present value technique and accounting rate of return of capital budgeting. State their merits and demerits. [BL: Understand| CO: 5|Marks: 7] (b) The initial cash outlay of a project is Rs.50,000 and it generates cash inflows of Rs.20,000, Rs.15,000, Rs. 25,000 and Rs.10,000 in four years. Using profitability index method, appraise profitability of the proposed investment assuming 10% rate of discount

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

- 6. (a) Summarize capital budgeting. Categorize various discounted cash flow methods of capital budgeting. [BL: Understand| CO: 5|Marks: 7]
  - (b) A project requires an investment of Rs.5,00,000 and has a scrap value of Rs.20,000 after five years. It is expected to yield profits after depreciation and taxes during the five years amounting to Rs.1,20,000, Rs.90,000, Rs.80,000, Rs.1,70,000 and Rs.50,000, Calculate the payback period.

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

## $\mathbf{MODULE}-\mathbf{V}$

7. (a) Formulate how business transactions can be recorded in journal and ledger accounts.

[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) Interpret various ratio using financial statements. Distinguish between Accrual basis of accounting and cash basis of accounting. [BL: Analyze] CO: 6|Marks: 7]
  - (b) For the data given in Table 1, evaluate: [BL: Apply] CO: 6|Marks: 7]
    - i) Net worth to debt. ii) Inventory turn over iii) Net profit ratio and iv) Return on total assets.

Particulars	Rs.
Sales	25,20,000
Cost of sales	19,20,000
Net profit	3,60,000
Inventory	8,00,000
Other current assets	7,60,000
Fixed assets	14,40,000
Net worth	15,00,000
Debt	9,00,000
Current liabilities	6,00,000

#### Table 1