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Question Paper Code: AHS015



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

B.Tech IV Semester End Examinations (Regular / Supplementary) - May, 2019

Regulation: IARE – R16

BUSINESS ECONOMICS AND FINANCIAL ANALYSIS

Time: 3 Hours

(Common to CSE | IT | ECE | EEE | CE)

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

- (a) Define business economics. Explain its nature and scope. [7M]

(b) Define demand. Explain law of demand and its exceptions. [7M]
- (a) Define elasticity of demand. List out and explain any seven determinants of demand elasticity. [7M]

(b) How to measure elasticity of demand. Explain different types of elasticity of demand with formula. [7M]

UNIT – II

- (a) Define and explain production function with one variable input. Write any features of production function. [7M]

(b) Write the formula for Break-Even Point(BEP) in units. Explain the concept of BEP with the help of a graph. [7M]
- (a) Describe economies of scale and explain different types of external economies and internal economies of scale. [7M]

(b) Pepsi company produces a single article. [7M]

Following cost data is given about its product:

Selling price per unit Rs.40

Marginal cost per unit Rs.24

Fixed cost per annum Rs. 16000

Calculate:

 - P/V ratio
 - break even sales
 - sales to earn a profit of Rs. 2,000
 - Profit at sales of Rs. 60,000
 - New break even sales, if price is reduced by 10%.

UNIT – III

5. (a) Define market? Write few lines on market structure. Write the conditions to entry and exit in to market. [7M]
- (b) Explain the role of time factor in the determination of price. Also explain price - output determination in case of perfect competition. [7M]
6. (a) Define monopolistic competition and monopoly competition. Explain its features. [7M]
- (b) Define public enterprise. Write any two problems of public enterprise. Explain various types of public enterprises. [7M]

UNIT – IV

7. (a) Write about pay-back period. Describe the advantages and disadvantages of pay-back period. [7M]
- (b) Evaluate the projects by using pay back method and NPV if the cost of capital is 10%. Cost of the project is Rs.1,00,000. The cash inflows for the next six years are Rs.25,000; 30,000; 40,000; 25,000; 35,000; and 55,000 respectively. [7M]
8. (a) Define Capital and explain different types of sources of capital. [7M]
- (b) A project requires an investment of Rs.1,44,000 and is expected to generate cash inflows of Rs.54,000, Rs.63,000, Rs.72,000, Rs.63,000 and Rs.54,000 per annum for the next 5 years as shown in Table 1. Compute IRR with the help of 31% and 32% Discount factor. [7M]

Table 1

Years	1	2	3	4	5
PV D.F 31%	0.763	0.583	0.445	0.340	0.259
PV D.F 32%	0.758	0.574	0.435	0.329	0.250

UNIT – V

9. (a) Define Ratio. Explain its classification. [7M]
- (b) Write journal entries in the books of Mr. Sukumar from the following transactions in the year 2008 [7M]
- Jan.1st Goods purchased from Raju on credit Rs.10,000
- Jan 2nd Goods purchased from Ramu Rs.20,000
- Jan 3rd Goods returned to Raju Rs.1,000
- Jan 4th Goods returned to Ramu Rs.2,000
- Jan 5th Goods sold to Suresh on credit Rs.30,000
- Jan 6th Goods sold to Mahesh Rs.40,000
- Jan 7th Goods returned from Mahesh Rs.4,000
- Jan 8th Goods returned by Suresh Rs.3,000
- Jan 9th Building sold to Venkat Rs.50,000
- Jan 31st Furniture purchased from Kishore Rs.5,000

10. (a) Define financial accounting. Explain the importance and limitations of financial accounting. [7M]
- (b) From the following trial balance of Chakradhar shown in Table 2 as on 31-12-2007 prepare trading and profit and loss account and a balance sheet as on that date. [7M]

Table 2

Particulars	Debit Rs	Credit Rs
Purchases and Sales	1,25,000	2,30,000
Sundry Debtors and Creditors	50,000	40,000
Stock (Opening)	35,000	
Plant and Machinery	80,000	
Salaries	16,000	
Capital	50,000	
Bills receivable and payable	20,000	10,000
Rent and taxes	5,500	
Furniture and fixtures	2,500	
Bank loan	20,000	
Interest on loan	600	
Discounts	650	1,200
Wages	14,850	
Cash in hand	1,100	
Total	3,51,200	3,51,200

Adjustments:

- i. Closing stock Rs.45,000
- ii. Outstanding Rent Rs.500, Interest Rs.1,400, and Wages Rs.150.
- iii. Depreciation of Plant and Machinery @ 5% and furniture and fixtures @ 10%.

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