

**Code No: 154AH****JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD****B. Tech II Year II Semester Examinations, April/May - 2023****BUSINESS ECONOMICS AND FINANCIAL ANALYSIS****(Common to CSE, IT, ITE, CE(SE), CSE(CS), CSE(IOT), CSE(N))****Time: 3 Hours****Max. Marks: 75**

- Note:** i) Question paper consists of Part A, Part B.  
ii) Part A is compulsory, which carries 25 marks. In Part A, answer all questions.  
iii) In Part B, Answer any one question from each unit. Each question carries 10 marks and may have a, b as sub questions.

**PART – A****(25 Marks)**

- 1.a) Differentiate between Private company and Public company. [2]
- b) Discuss the multidisciplinary nature of Business Economics. [3]
- c) State and explain the Law of demand . [2]
- d) Define elasticity of demand and explain the relationship between slope and the elasticity of demand. [3]
- e) Why is average cost curve of a firm U-shaped in the short run? [2]
- f) Explain briefly what you mean by Product Life Cycle (PLC) based pricing. [3]
- g) Why are accounting concepts and conventions required? [2]
- h) Explain the features of Balance sheet. [3]
- i) What is Gross profit ratio? Outline its significance. [2]
- j) Discuss the objectives of Ratio analysis. [3]

**PART – B****(50 Marks)**

- 2.a) What are the non-conventional sources of finance available in India?
- b) Explain the salient features of each such source and attempt a critical comparison of these sources of finance. [5+5]

**OR**

- 3.a) How is business economics different from general economics? Explain.
- b) Comment on the role of the business economist in managerial decision making. [5+5]

- 4.a) Explain the concept of cross elasticity of demand and state the formula. How would you measure such elasticity?

- b) After a careful statistical analysis, a firm in Hyderabad concludes that the market demand function for a commodity marketed by it is given as:

$Q_A = 20 - 2P_A - 0.5 P_B + 0.01M$  where  $Q_A$  is the quantity demanded of commodity A,  $P_A$  is the price of commodity A,  $P_B$  is the price of commodity B and  $M$  is the disposable income of consumers of Hyderabad. Calculate the price and cross elasticities of demand for commodity A, when  $P_A = 5$ ,  $P_B = 10$  and  $M = 1,000$ . [5+5]

**OR**

- 5.a) Discuss the various steps involved in demand forecasting.  
 b) The following table provides information on the sales (in Rs. '000) of a product during the years 2018 to 2022.

Years	2018	2019	2020	2021	2022
Sales	120	130	135	142	138

Estimate the sales for the years 2023 and 2024.

[5+5]

- 6.a) Explain briefly the concept of elasticity of factor substitution.  
 b) The production function for a firm manufacturing locks is  $Q=4K^{1/2}L^{1/2}$ . The firm wants to maximize output (Q) subject to the cost constraint  $C=2K+8L=64$ , where 'K' is capital input and 'L' is labour input. Advise the firm of the optimal input combination that they should choose.

[5+5]

OR

- 7.a) Discuss the usefulness of Break-even analysis.  
 b) You are given the following data:  
 Fixed expenses: Rs.4, 000  
 Break-even point: Rs.10, 000  
 Calculate:  
 i) P/V ratio.  
 ii) Profit when sales are Rs.20, 000.  
 iii) New break-even point if selling price is reduced by 20%.

[5+5]

- 8.a) Explain what do you understand by 'Accounting equation'.  
 b) Elaborate the rules for maintaining the Books of accounts.  
 c) Show the effect of the following business transactions on assets, liabilities and capital through accounting equation:

[10]

Particulars	Rs.
Commenced business with cash	20,000
Goods purchased on credit	7,000
Furniture purchased	3,000
Paid to creditors	2,000
Amount withdrawn by the proprietor	4,000
Interest on capital	1,000
Transfer from capital to loan	5,000

OR

9. From the trial balance of Krishnan given below, prepare the trading and profit & loss account for the year ending 31<sup>st</sup> March, 2023 and balance sheet as on that date.

Head of Account	Debit Amount(Rs.)	Credit Amount(Rs.)
Drawings and Capital	10,560	119,410
Plant & Machinery	38,300	
Sundry debtors and creditors	62,000	59,360
Wages	43,750	
Purchases and sales	256,590	356,430
Opening stock	95,300	
Salaries	12,880	
Insurance	930	
Cash at bank	18,970	
Interest on loan	14,370	
Discount allowed	4,870	
Furniture	12,590	
Loan payable		79,900
Motor van	43,990	
	615,100	615,100

Closing stock was valued at Rs.90, 000.

[10]

- 10.a) From the following information calculate :

- i) Current ratio ii) Liquid ratio

	Rs.		Rs.
Cash	10,000	Bills Receivable	6,000
Cash at Bank	5,000	Stock	8,500
Debtors	20,000	Prepaid expenses	2,500
Creditors	15,500	Outstanding expenses	2,500
Bills Payable	4,000		

- b) Calculate:

- i) Total capital turnover ratio  
 ii) Working capital turnover ratio and  
 iii) Fixed assets turnover ratio from the following information:

Balance Sheet as on .....			
Liabilities	Amount Rs.	Assets	Amount Rs.
Share capital	1,00,000	Fixed assets	1,70,000
12% Debentures	80,000	Current assets	1,10,000
Reserves	20,000		
Current Liabilities	80,000		
	2,80,000		2,80,000

Net sales during the year amounted to Rs.3, 00,000.

- c) Calculate Debt equity ratio from the following information:

Total Assets: Rs11, 00,000

Total Debt ; Rs.9, 00,000

Current Liabilities: Rs.5, 00,000

[10]

**OR**

- 11.a) Distinguish between fund flow and cash flow.  
b) What are the objectives of Solvency Ratios?  
c) Calculate Debtors turnover ratio and debts collection period from the following information:  
Credit sales of the year: Rs.9,00,000  
Debtors : Rs. 90,000  
Bills Receivable : Rs.60,000.  
d) The operating profit of Ratan Lal Ltd after charging interest on debentures and tax is a sum of Rs.4,00,000. The amount of interest is Rs.30,000 and the provision for tax has been made for Rs.70,000. Calculate the interest coverage ratio. [10]

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