Code No: 155AJ

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JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
B. Tech III Year I Semester Examinations, September - 2021
BUSINESS ECONOMICS AND FINANCIAL ANALYSIS
(Mechanical Engineering)

Time: 3 hours

Max. Marks: 75

Answer any five questions
All questions carry equal marks

1.a) Discuss about various sources of capital for a business firm? Also mention some of the non-conventional sources of finances.
  b) Why study of economics is significant for a business entity? Discuss the role of a business economist. [7+8]

2.a) Discuss the nature and objective of a business entity. What are the different types of business entities in India?
  b) Explain the concept of National Income in detail. [8+7]

3.a) What is Elasticity of Demand? Discuss the importance of elasticity of demand in managerial decisions.
  b) Why is it important for businesses to do demand forecasting and brief on methods of demand forecasting? [8+7]

4.a) Product X has the following demand equation
  $Q = 1000 – 3000 P + 10 A$
  Where, Q = Quantity demanded
   P = Product Price
   A = Advertisement expenditure
  Assume that P = Rs. 3 and A = Rs. 2000
  i) Would it be beneficial if the price of the product is dropped to Rs. 2.5? Explain.
  ii) Suppose price of the product is raised to Rs. 4.00 while increasing the advertisement expenditure by Rs. 100. Would it be beneficial? Explain.
  b) Brief on law of supply. [10+5]

5.a) Distinguish between economies of scale and diseconomies of scale. What are the factors causing economies and diseconomies of scale?
  b) Discuss about "Monopoly" market structure. In what type of industries, you commonly find this type of structure, give examples. [7+8]

6. Briefly explain the concepts of AFC, AVC, TC and MC. Further, discuss the short-run cost output relationship with the help of graph. [15]

7. Following were the details of transactions taken from books of Company X as on 31st March, 2020:

	Amt. in Rs.		Amt. in Rs.
Capital	19000	Cash at bank	2600
Drawings	700	Salaries	800
Plant and Machinery	12000	Repairs	190
Horse and cart	2600	Stock	1600
Sundry debtors	3600	Rent	450
Sundry creditors	2600	Manufacturing expenses	150
Purchases	2000	Bills payable	2350
Sales	4200	Bad debts	500
Wages	800	Carriage	160

Prepare a Trading and Profit and Loss Account and the Balance Sheet as on 31st March, 2020. Closing stock – Rs. 1600. [15]

8. Details of balance sheet of XYZ company is given below:

Particulars	Rs.
I. Equity and Liabilities:	
1) Shareholder's funds	
a) Share capital	4,00,000
b) Reserves and surplus	1,00,000
2) Non-current Liabilities	
Long-term borrowings	1,50,000
3) Current Liabilities	50,000
	7,00,000
II. Assets	
1) Non-current assets	
a) Fixed assets	4,00,000
b) Non-current investments	1,00,000
2) Current assets	2,00,000
	7,00,000

From the given information, calculate-
a) Debt-equity ratio   b) Total assets to debt ratio
c) Proprietary ratio   d) Debt to capital employed ratio. [15]

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