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**VASAVI COLLEGE OF ENGINEERING (Autonomous), HYDERABAD**  
**B.E. (CSE) III Year I-Semester Old Examinations, May-2019**

**Managerial Economics and Accountancy**

Time: 3 hours

Max. Marks: 70

*Note: Answer ALL questions in Part-A and any FIVE questions from Part-B*

**Part-A (10 × 2 = 20 Marks)**

*Write four most important points on each of the following:*

1. What is opportunity cost?
2. Illustrate discounting principle.
3. Explain income elasticity of demand.
4. State the Law of Supply.
5. List the features of a Monopoly.
6. Discuss economies of scale.
7. How do you determine the Payback period?
8. State the importance of working capital.
9. Why do you prepare petty cash book?
10. Analyse liquidity ratios.

**Part-B (5 × 10 = 50 Marks)**

- 11.a) How is Managerial Economics useful to engineers in business decision making? [4]
- b) Discuss briefly the concepts of: [6]
- i) Scarcity
  - ii) Marginalism
  - iii) Equi marginalism
- 12.a) Explain the concepts of demand and elasticity of demand. [5]
- b) Distinguish between arc elasticity and point elasticity of demand with respective formulas. [5]
- 13.a) Explain Laws of Returns to scale. [5]
- b) Compute the break-even point in units and rupees [5]
- Fixed costs = Rs. 20,00,000  
 Sales revenue = Rs. 40,00,000  
 Variable costs = Rs.30,00,000  
 Number of units sold presently 1,00,000.
- 14.a) Discuss any five determinants of working capital with examples. [5]
- b) A project costs Rs 15, 00, 000/-. The cash flows after taxes (CFAT) are Rs. 4, 00, 000- per annum [5]  
 for 6 years. If the rate of discount is 10%, compute the Net Present Value (NPV) of the project.

**Present Value Factor of Annuity (PVFA) of Re.1 are given below.**

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736	1.713
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487	2.444
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170	3.102
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791	3.696
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355	4.231
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868	4.712



15.a) Prepare Simple Cash book from the following

[8]

Dec 1	Commenced business with cash	50,000	Dec 16	Paid into bank	10,000
2	Bought goods for cash	28,000	18	Cash sales	2,500
5	Received cash from Arun	2,000	20	Purchased stationary for cash	250
7	Paid cash to Sanjay Discount allowed by him	2,900 100	23	Paid Suresh cash Discount allowed	3,900 100
1	Paid wages	3,000	26	Received from Rajesh Allowed him discount	1,900 100
14	Received from Rajesh Allowed him discount	950 50	30	Paid salaries	2,000

b) Draw the format of a Petty cash book. [2]

16.a) Differentiate Incremental revenue from Marginal revenue. [5]

b) Explain the concept of derived demand with suitable examples. [5]

17. Answer any *two* of the following:

a) Explain very briefly the concepts of Actual, Opportunity, Total, Average and Marginal costs. [5]

b) Why is capital management important? List out the traditional and discounted cash flow methods of capital budgeting. [5]

c) Prepare Trading and P & L A/c from the following. [5]

Stocks	9600	Repairs to plant	160
Wages and Salaries	3200	Cash in hand and at Bank	200
Commission on Purchases	200	Debtors	4000
Freight	300	Income tax	550
Purchase less returns	11850	Drawings	650
Sales less returns	24900	Capital	5000
Trade expenses	20	Bills Payable	500
Bills Receivable	600	Loan	900
Rent	200	Discount on Purchase	400
Plant	2000	Creditors	2330
Mic. Expenses	500		

The stock in hand at the end of the year was Rs. 3500.

