

Code No: 153AE

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**B. Tech II Year I Semester Examinations, April/May - 2023****BUSINESS ECONOMICS AND FINANCIAL ANALYSIS****(Common to ECM, CSBS, CSIT, CSE(DS), AI&DS, AI&ML, CSD)****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) List out the major disadvantages of Sole proprietorship as a form of business organization. [2]
- b) Explain the term “Personal Disposable Income”. How is this different from Personal Income? [3]
- c) Calculate income elasticity of demand using the following information: [2]

Income(Rs.)	Demand for the commodity(Units)
4,000	20
5,000	25

- d) Explain how time period plays a crucial role in forecasting demand. [3]
- e) Explain briefly the relationship between average product and marginal product. [2]
- f) Distinguish between perfect and imperfect market. [3]
- g) i) What is money measurement concept?
ii) What limitation does this concept put on the use of accounting? [2]
- h) i) What is trial balance?
ii) Explain the objects of preparing trial balance. [3]
- i) What is a leverage ratio? Explain its significance. [2]
- j) Explain briefly the uses of ratio analysis as a tool for evaluating the financial performance of a company. [3]

PART – B**(50 Marks)**

- 2.a) Explain the scope and importance of capital market.
- b) Discuss the merits and demerits of raising funds through debentures/bonds. [5+5]

OR

- 3.a) Explain the features and phases of business cycles.
- b) Examine critically the multidisciplinary nature of Business Economics. [5+5]

- 4.a) What is cross elasticity of demand?
- b) Show in a diagram the curve relating to the demand for coffee to the price of tea.
- c) The demand by a consumer for a commodity decreases by 10%, when its price increases from Rs.5 to Rs.6 per unit. Calculate the price elasticity of demand for the commodity. [5+5]

OR

- 5.a) Explain the reasons for fluctuations in Time series data.
b) Estimate the sales for the years 2023 and 2024 from the following information: [5+5]

Years	2017	2018	2019	2020	2021	2022
Sales(Rs. in lakh)	50	60	65	72	79	75

- 6.a) Explain the concept of Marginal Rate of Technical Substitution(MRTS).
b) Why does MRTS diminish as we move down an isoquant for most production functions? [5+5]

OR

- 7.a) Explain the importance of Break-even analysis.
b) Ratan manufacturing (RM) is operating at 70 percent capacity and provides the following information:
Break-even point: Rs.200 crores
P/V ratio : 40 percent
Margin of safety (MS): Rs.50 crores
The management of RM has decided to increase production to 95 percent capacity level with the following modifications:
i) The selling price is to be reduced by 8 percent.
ii) The fixed cost will increase by Rs.20 crores
What will be the revised P/V ratio and Break-even point? [3+7]

8. Journalize the following transactions in the books of Ramesh. [10]

2023 January	Transaction details
1	Started business with cash Rs. 200,000.
1	Bought goods in cash for the day Rs.1,25,000
2	Sold goods in cash for the day Rs.2,50,000.
3	Bought goods on credit from Suseel Rs.1,45,000
5	Sold goods on credit to Rajan Rs.80, 000.
7	Received cash from Rajan Rs.34,800 and discount allowed Rs.1,200
9	Paid to Suseel Rs.48,500 and discount received Rs.1,500
20	Bought furniture for cash Rs.40,000
22	Paid salaries Rs.24,500
31	Depreciation charged on furniture Rs.2,200

OR

9. From the following balances of Ved Praksh prepare Trading and Profit and Loss Account for the year ending 30th June, 2022 and Balance Sheet as on that date.

	Rs.		Rs.
Capital	35,000	Returns outward	110
Buildings	18,750	Salaries	1,110
Machinery	9,250	Discount allowed	200
Debtors	7,000	Stock(1.7.2021)	16,500
General Expenses	800	Bills payable	5,000
Rent paid	3,710	Sales	63,500
Drawings	650	Purchases	46,850
Electric charges	190	Wages	2,500
Carriage inward	850	Cash in hand	1,800
Cash at bank	3,000	Sundry creditors	10,000
Returns inward	450		

Closing stock is valued at Rs.18, 210.

[10]

- 10.a) What are the objectives of solvency ratios?
b) Calculate Debt-Equity ratio from the following data:

	Rs.
Equity Share Capital	5,00,000
12% Preference Share Capital	2,50,000
Reserves	2,50,000
Loan from SBI	5,00,000
Current Liabilities	2,00,000
Debentures	7,50,000

- c) Calculate proprietary ratio from the following information:

[10]

Liabilities	Rs.	Assets	Rs.
Equity share capital	40,000	Fixed assets	80,000
Preference share capital	30,000	Current Assets	30,000
Profit and Loss account(Cr)	15,000	Goodwill	10,000
Accumulated surplus	5,000		
Debentures	10,000		
Creditors	10,000		
Bills Payable	7,500		
Outstanding expenses	2,500		
	120,000		120,000

OR

11.a) Classify with reasons the following into cash flows from investing activities/financing activities while preparing a cash flow statement:

- i) Long-term borrowings
- ii) Sale of fixed assets
- iii) Profit on sale of fixed assets
- iv) Loss on sale of fixed assets.

b) From the following information, calculate cash flow from investing activities and financing activities: [5+5]

Opening cash balance	Rs. 20,000
Closing cash balance	Rs. 25,000
Decrease in debtors	Rs.8,000
Increase in creditors	Rs.10,000
Sale of fixed assets	Rs. 50,000
Redemption of debentures	Rs.22,000
Dividend paid	Rs.68,000
Net profit of the year	Rs.27,000

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