Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS / B.TECH(FT) / SEM-7 / HU-702 / 2012-13

2012

ENGINEERING ECONOMICS

Time Allotted : 3 Hours *Full Marks :* 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10

   i) If the cross elasticity of demand is negative then the commodities are

      a) Giffen b) Substitutes
      c) Complements d) Normal.

   ii) For a unitary elasticity of demand curve, the amount spent by a consumer on a good

      a) remains constant when price changes
      b) increases when price changes
      c) decreases when price increases
      d) decreases when price decreases.

iii) When P_1 rises or falls, consumer will respond by changing his demand for q_1. The part of this change that is refereed to as the 'substitution effect' represents the consumer's response to

a) the change in high money income

b) the change in selective goods prices

c) the change in his real income

d) an induced change in his preferences.

iv) If a firm moves from one point on a production isoquant to another, which of the following will not happen ?

a) A change in the ratio in which the input are combined

b) A change in the marginal produtes of the inputs

c) A change in the rate of technical substitution

d) A change in the level of output.

v) When total product is maximum, marginal product is

a) zero b) maximum

c) constant d) none of these.

vi) Market demand is

a) the sum of all individual demands

b) demand at prevailing average prices

c) ability to pay the price asked

d) demand in a perfectly free market.

vii) A perfectly competitive firm is oprating in an output level where price is greater than marginal cost. Which of the following is true ?

a) The firm increases output to maximize profit

b) The firm is incurring loss

c) The firm reduces output to maximize profit

d) The firm is neither making profit nor loss.

viii) Monopolistic competition can be characterized by a

a) small no. of firms and product homogeneous

b) large no. of firms and product differentiation

c) large no. of firms and product homogeneous

d) single firm and product differentiation.

ix) Balance of payment is maintained in

a) dual entry system b) single entry syste

c) both (a) and (b) d) none of these.

x) In order to control inflation RBI

a) decreases CRR b) increases CRR

c) does not change CRR d) decreases SLR.

xi) Which would not be characteristic of a capitalist economy ?

a) Government ownership of the means of production

b) Competition and unrestricted markets

c) Reliance on the market system

d) Free enterprise and choice.

xii) Indian Public Sector Banks are nationalized in the year

a) 1969 b) 1970

c) 1948 d) 1951.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. 3 × 5 = 15

2. Differentiate between the shapes of Short-run and Long-run Costs of a firm.

3. What is meant by break-even analysis ? What is Margin of Safety ? How an increase in price changes the break-even level of output ?

4. Explain various kinds of price discrimination.

5. Define the concept of GDP and GNP. Give example.

6. State the inpact of globalization on Indian economy.

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. 3 × 15 = 45

7. a) On the basis of information given in the following table, prepare demand schedules for the three commodities. Also compare their price elasticities : 4

Price / kg (Rs.)	*Total Expenditure (Rs.)*		
	Commodity A	*Commodity B*	*Commodity C*
2	6	6	6
3	6	5	7
4	6	4	8

b) A consumer was consuming 4 kgs of sugar per month, when his income was Rs. 1000 per month. When his income increased to Rs. 1,200 per month, he started consuming 5 kgs of sugar per month. Is the demand for sugar elastic or inelastic with respect to income ?

(Assume no change in other determinants of demand.)

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c) From the given information estimate sales for the year 2004 & 2005. 7

Years	1998	1999	2000	2001	2002	2003
Sales (Rs. in Lakhs)	50	60	65	72	79	75

8. A company has an investment proposal costing Rs. 1,00,000 with the following expected net cash flows (after cash and depreciation) :

Year :	1	2	3	4	5
Net cash flows (Rs.) :	18,000	20,000	20,000	22,000	10,000

Project life is 5 years. Company uses the straight line method of depreciation. Company's tax rate is 50%. Using 12% discount rate calculate :

a) Payback period

b) Payback profitability

c) Average rate of return

d) Net present value

e) Profitability Index.

9. Give a brief description of

a) Implicit and Explicit Cost

b) Actual and Opportunity Cost

c) Fixed Cost and Variable Cost. 5 + 5 + 5

10. Define National Income. Describe various methods of measuring National Income. Mention the difficulties in measuring National Income.

11. Distinguish between Capital Account and Current Account. Mention two correcting measures for adverse BOP situation in a country.