

E-562

B. E. VII Semester Examination, December 2017

INDUSTRIAL ECONOMICS
Branch : Mechanical Engineering
(Main & RE Exam)

Time : Three Hours]

[Maximum Marks : 75

[Minimum Marks : 30

Note : Attempt all questions from Section - A, four questions from Section - B and three questions from Section - C.

SECTION - A

[Marks : $1.5 \times 10 = 15$

(Objective Type Questions)

1. If an increase in the price of paper leads to a decrease in the demand for pencils, then paper and pencils are :
 - (a) substitutes
 - (b) complements
 - (c) normal goods
 - (d) inferior goods
2. The law of demand states that an increase in the price of a good :
 - (a) decreases the demand for that good
 - (b) increases the supply of that good
 - (c) decreases the quantity demanded for that good
 - (d) increases the quantity supplied of that good

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3. The law of supply states that an increase in the price of a good :
- (a) decreases the demand for that good
 - (b) increases the supply of that good
 - (c) decreases the quantity demanded for that good
 - (d) increases the quantity supplied of that good
4. If an increase in consumer income leads to a decrease in the demand for good x, then good x is :
- (a) a substitute
 - (b) a complementary good
 - (c) a normal good
 - (d) a inferior good
5. Which of the following shifts the demand for watches to the right ?
- (a) a decrease in the price of watches
 - (b) a decrease in consumer income if watches is a normal good
 - (c) an increase in the price of watches
 - (d) an increase in consumer income if watches is a normal good
6. All of the following shift the supply curve of watches to the right except :
- (a) an advance in the technology used in manufacturing watches
 - (b) a decrease in the wages/salaries of workers employed to manufacture watches
 - (c) an increase in the price of watches
 - (d) manufacturers' expectations of lower watch prices in the future

7. If the price of a good is above the equilibrium price,
- (a) there is a surplus and the price will fall
 - (b) there is a surplus and the price will rise
 - (c) there is a shortage and the price will fall
 - (d) there is a shortage and the price will rise
8. Demand is determined by:
- (a) Price of the product
 - (b) Relative price of other products
 - (c) Tastes and Habits
 - (d) All of the above
9. The short run average cost curve is shaped.
- (a) V
 - (b) U
 - (c) L
 - (d) E
10. The demand curve has a slope.
- (a) Undefined
 - (b) Zero
 - (c) Negative
 - (d) Positive

SECTION – B

[Marks : $6 \times 4 = 24$]

(Short Answer Type Questions)

1. Explain the meaning of Engineering Economics. Why it is different from economics ?
2. Define the relationship between Demand and Supply. How it relates with the economy ?
3. Discuss various cost estimation methods. Why they all are different in use of situation ?

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4. Differentiate between Inflation and Deflation. Explain the treatment of deflation.
5. Explain the function of RBI.
6. Differentiate among Perfect competition, Monopoly and Monopolistic competition.

SECTION – C

[Marks : $12 \times 3 = 36$]

(Long Answer Type Questions)

1. What do you mean by Indian Tax System ? Explain the procedure of developing Tax System in India.
2. How cross elasticity of demand give a slightly mode in developing their business ?
3. How engineering economics help business man in taking effective decisions ?
4. How business houses survive at the situation of perfect competition ?
5. Why determination of National Income is essential for any country ?

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Note : Attempt **all** questions from **Section-A**, **four** questions from **Section-B** and **three** questions from **Section-C**.

Section - A

1. Demand for a commodity refers to:
 - (a) Need for the commodity
 - (b) Desire for the commodity
 - (c) Amount of the commodity demanded at a particular price and at a particular time.
 - (d) Quantity demanded of that commodity
2. Which among the following statement is CORRECT?
 - (a) The minimum point of AVC and MC are the same level of output
 - (b) Minimum of AVC is at lesser output than the minimum of MC
 - (c) Minimum of AVC is at larger output than the minimum of MC
 - (d) Any of the above is possible depending upon operating of the law of returns.

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3. The cost of one thing in terms of the alternative given up is called:
 - (a) Real cost
 - (b) Production cost
 - (c) Physical cost
 - (d) Opportunity cost
4. Which of the following is not true in the case of perfect competition
 - (a) Price = LAC
 - (b) Market demand curve for a commodity is horizontal to X-axis
 - (c) Firms earn normal profits
 - (d) In the long run, firm operate at the minimum point of average cost
5. Under conditions of perfect competition in the product market:
 - (a) $MRP = VMP$
 - (b) $MRP > VMP$
 - (c) $VMP > MRP$
 - (d) None of the above
6. In order to control credit, Reserve Bank of India should:
 - (a) Increase CRR and decrease Bank rate
 - (b) Decrease CRR and reduce Bank rate
 - (c) Increase CRR and increase Bank rate
 - (d) Reduce CRR and increase Bank rate
7. The following is the direct tax among:
 - (a) House tax
 - (b) Entertainment tax
 - (c) Service tax
 - (d) Value Added tax
8. Principle of maximum social advantages is concerned with:
 - (a) Taxation only
 - (b) Public expenditure only
 - (c) Public debt only
 - (d) Both taxation and public expenditure

9. In a free enterprise economy, which among the following are the determinants of Investment?

- (a) Rate of Interest
- (b) Marginal efficiency of capital
- (c) Both (a) and (b)
- (d) None of the above

10. When national income is calculated with reference to a base year, it is called:

- (a) Nominal national income
- (b) Net national income
- (c) Real national income
- (d) Gross national income

Section - B

1. Discuss the nature and scope of engineering economics.
2. What do you understand by law of supply?
3. Explain the concept of time value of money.
4. Discuss various methods of cost estimation.
5. Discuss the concept of price elasticity of demand.
6. Write the functions of RBI.

Section - C

1. How prices are determined under perfect competition?
2. What is law of demand? Explain with the help of demand schedule and demand curve? What are the exceptions of law of demand?
3. Write various measures taken by RBI to control the inflation.
4. What are the different methods of calculating national income?
5. Write a note on Indian Tax system.