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Total Number of Pages: 03

MCA

MCA105

1st Semester Regular Examination 2016-17

ENGINEERING ECONOMICS

BRANCH: MCA

Time: 3 Hours

Max Marks: 100

Q.CODE: Y728

**Answer Part-A which is compulsory and any four from Part-B.
The figures in the right hand margin indicate marks.**

Part – A (Answer all the questions)

Q1 Answer the following questions: (2 x 10)

- a) In _____ goods, demand is negatively related to income.
(a) Complement (b) Substitute (c) Normal (d) inferior
- b) An economist would estimate _____ to determine relationship between two goods.
(a) Income elasticity of demand (b) Cross elasticity of demand
(c) Price elasticity of demand (d) Price elasticity of supply
- c) . Cross elasticity of demand is positive for:
(a) Substitute goods (b) normal goods
(c) Complementary goods (d) inferior goods
- d) Price elasticity of demand for a firm under perfect competition is:
a. Less than one b. More than one c. zero d. Infinite
- e) Under the law of variable proportion, what happens at the end of Stage-I
(a) Total product is maximum
(b) Marginal product is zero
(c) Total product is equal to Average product
(d) Marginal product is equal to Average product
- f) For the normal good what is sign of price elasticity of demand:
(a) $e_p = 1$ (b) $e_p < 1$ (c) $e_p > 1$ (d) $e_p = 0$
- g) The firm will reach the profit maximization point where:
(a) $AR = AC$ (b) $AR = MR$ (c) $MR = AR$ (d) $MR = MC$

- h) A person deposits a sum of Rs.20,000 at the interest rate of 10% compounded annually for 10 years. Find the maturity value after 10 years.
- (a) Rs.7,710.87
 (b) Rs.58,174.80
 (c) Rs.51,874.80
 (d) Rs.7,170.87
- i) At what annual interest rate will Rs.1000 invested today be worth Rs.2000 in 10 years?
- (a) 7% (b) 6% (c) 5% (d) 4%
- j) Equal Payment Series Compound Amount Factor is represented by
 (a) $(F / P, i, n)$ (b) $(A / F, i, n)$ (c) $(F / A, i, n)$ (d) $(A / G, i, n)$

Q2 Answer the following questions: (2 x 10)

- a) Why are Giffen goods exceptions to law of demand?
 b) What are the determinants of supply?
 c) What factors result in shift in demand of a commodity?
 d) What do you mean by Veblen effect?
 e) What does it mean if the value of price elasticity of demand is -0.2?
 f) Define total, average and marginal costs.
 g) Define Cross elasticity of demand.
 h) Explain four functions of RBI.
 i) What do you mean by "Minimum Acceptable Rate of Return"?
 j) What is cash reserve ratio?

Part – B (Answer any four questions)

- Q3** a) State and explain the Law of Demand. What are its exceptions? (10)
 b) Explain the factors affecting to demand. (5)
- Q4** a) State and explain the Law of Variable Proportions. (10)
 b) Explain the meaning of Isoquant. (5)
- Q5** a) Explain why long run "U" shaped average cost curve is more flatter than short run average cost curve. (10)
 b) Distinguish between fixed cost and variable cost. (5)
- Q6** a) Explain how the price and output is determined under perfect competition? (10)
 b) Explain about the economies of scale. (5)

- Q7 a)** From the following information find out the Net Present Value (NPV) and suggest that whether the proposed project be implemented assuming an interest rate of 18%. **(10)**

Year	Annual Cash flow
0	- 50000
1	12000
2	12000
3	18000
4	13000
5	11000

- b)** What is monopoly? **(5)**

- Q8** Given the following data, select the better machine in terms of their Equivalent Annual Worth (EAW) assuming $i = 9\%$ compounded annually **(15)**

<u>Particulars</u>	<u>M/C-I</u>	<u>M/C-II</u>
Initial Outlay (Rs.)	2, 00, 000	3, 00, 000
Annual Revenue (Rs.)	40, 000	50, 000
Annual O&M Cost (Rs.)	5, 000	10,000 with an annual increase of 1,000
Salvage Value (Rs.)	20, 000	30, 000
Service Life (Years)	7	10

- Q9 a)** Explain about the Indian banking system. **(10)**
- b)** Write a note on credit creation. **(5)**