Total Number of Pages: 02

1st Semester Back Examination 2016-17
ENGINEERING ECONOMICS AND COSTING
BRANCH: MCA
Time: 3 Hours
Max Marks: 70
Q.CODE: Y727
Answer Question No.1 which is compulsory and any five from the rest.
The figures in the right hand margin indicate marks.

Q1   **Answer the following questions:**   **(2x10)**
  a) How time adjusted methods are superior than traditional methods of project evaluation?
  b) Differentiate between Accounting Rate of Return (ARR) and Internal Rate of Return (IRR)
  c) Why is Cross Elasticity of Demand negative for complimentary goods?
  d) Why demand curve slopes downward?
  e) Write the production function.
  f) When will supply of a commodity be perfectly inelastic and why?
  g) What is cash reserve ratio (CRR)?
  h) Find the compound interest on annual deposit of Rs.30000 at 10% rate for 5 years? Amount is deposited at the beginning of the year. (P/A,10%,5-3.7908, F/A, 10%,5, 6.105, F/P, 10%,5- 1.611, A/F, 10%,5-0.1638)
  i) Differentiate between the Money Market and the Capital Market.
  j) Write main functions of commercial bank.

Q2   What do you understand by Equilibrium Price? Explain with diagrams,   **(2+8)**
          how equilibrium price of a commodity changes with change in either
          demand or supply or both.

Q3 a) A 5% rise in price of a good leads to 20% fall in its demand. A   **(5)**
          consumer buys 80 units of the good at a price of Rs. 10 per unit.
          Calculate how many units will the consumer buy when price changes
          to Rs. 11?
  b) Write the exceptions to law of demand.   **(5)**

Q4   What do you mean by elasticity of demand? Explain the factors   **(10)**
          affecting to elasticity of demand.

Q5 Two mutually exclusive projects are being considered for funding. **(10)**
Projected cash flows are as follows:

End of year	*Project A*	*Project B*
0	- 10, 000	- 15, 000
1	3, 000	6, 000
2	5, 000	6, 000
3	5, 000	6, 000
4	7, 000	7,000

Determine which project to select in terms of their NPV assuming a discounting rate of 8%.

Q6 a) A person is planning for his retired life. He is depositing Rs.5000 at the **(5)**
end of first year and thereafter he wishes to deposit the amount with an annual increase of Rs.500 for the next 10 years. Deposit carries an interest rate of 15% p.a. Find the total amount that he will receive after 10 years.

b) Find the present value of Rs. 9750 to be received after 16 years **(5)**
assuming an interest rate of 9% p.a.

Q7 Explain the functions of Reserve Bank of India. **(10)**

Q8 **Write short answer on any TWO:** **(5x2)**

a) Sunk Cost

b) Prime Cost

c) Marginal Cost

d) Fixed Cost