

GURU NANAK INSTITUTE OF TECHNOLOGY
An Autonomous Institute under MAKAUT
2021
ECONOMICS FOR ENGINEERS
HU801

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)**Answer any **ten** from the following, choosing the correct alternative of each question: **10×1=10**

		Marks	CO No
1.	i) Income elasticity of demand for inferior good is a) Positive b) Negative c) Zero d) Infinite	1	CO1
	ii) The Demand Curve for normal goods a) Rises upwards b) Slopes downwards c) Is parallel to X axis d) Is parallel to Y axis	1	CO1,2
	iii) Tea & sugar together could be an example of e) Substitute goods f) Complementary goods g) Supplementary goods d) None of these	1	CO1
	iv) A change in demand occurs due to a) Increase in Price b) Decrease in Price c) Change in non-price determinants of demand d) None of these	1	CO2
	v) When the demand curve is vertical, price elasticity of demand is a) 1 b) Infinity c) Zero d) None of these	1	CO1,2
	vi) When the demand curve is horizontal, price elasticity of demand is a) Zero b) Infinity c) 1 d) None of these	1	CO3

vii)	Which of the following measure is adopted to reduce inflation? a) Reduction in bank rate b) Reduction in Repo rate c) Increase in government expenditure d) Cuts in government spending	1	CO1,2
viii)	Which of the following is an inferior good? a) Giffen good b) Perishable good c) Luxury good d) Speculative good	1	CO1
ix)	Inflation is the state in which a) The value of money decreases b) The value of money increases c) The value of the money increases first and then decreases d) The value of money decreases first and increases later	1	CO 2,4
x)	The basic unit of production in an economy is known as a) Industry b) Firm c) Consumer d) Market	1	CO2
xi)	A large Margin of Safety means a) Over production b) Under production c) Higher fixed cost d) A favourable condition for the business	1	CO1
xii)	If a firm uses 70% of its capacity, further increase in variable inputs will lead to a) Increase in output b) Decrease in output c) Decrease in output till full capacity is utilized d) Increase in output till full capacity is utilized	1	CO1,2

GROUP – B

(Short Answer Type Questions)

Answer any *three* from the following: **3×5=15**

		Marks	CO No
2.	Discuss Golden Rule of Debit and Credit/ Discuss on suspense Account.	5	CO2,3
3.	State the major determinants of demand for a commodity.	5	CO1,2
4.	The following information is given for XYZ Co: Fixed Cost : Rs 4500 Variable Cost : Rs 7500 Sales : Rs 15,000 Units produced & sold : 5000 units Calculate : (i) Break-Even Point (in units) (ii) Sales units required to earn a profit of Rs 6000	5	CO3

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|----|---|---|-------|
| 5. | Discuss Anti Inflationary Fiscal & Monetary policy | 5 | CO1,2 |
| 6. | a) What are the demerits of the Payback Period method? | 2 | CO3 |
| | b) From the following information find the Payback Period of a project which requires an initial investment of Rs 30,000: | 3 | CO3 |

Year	Annual Cash flow (After tax & after depreciation @10%) (Rs)
1	8,000
2	10,000
3	7,000
4	15,000
5	9,000

GROUP – C
(Long Answer Type Questions)
 Answer any *three* from the following: **3×15=45**

- | | | Marks | CO No |
|----|--|--------------|--------------|
| 7. | a) From the following information calculate the Profit:
Sales = Rs 80,000
Variable Cost = Rs 60,000
Break-even Sales = Rs 60,000 | 5 | CO3,4 |
| | b) From the following information calculate the Sales required to earn a profit of Rs 1,20,000:
Sales : Rs 6,00,000
FC : Rs 1,80,000
VC : Rs 3,75,000 | 5 | CO3,4 |
| | c) “Contribution is more significant measure of profitability of a firm than sales” – Explain this statement. | 5 | CO2,3 |
| 8. | a) Explain the Cost & Revenue behaviour of a firm at various levels of output with a relevant diagram. | 10 | CO2,3 |
| | b) Explain the concepts of change in demand & change in quantity demanded. | 5 | CO1 |
| 9. | a) From the following information calculate :
i) Contribution ii) P/V Ratio iii) Break-Even Sales iv) Margin of Safety :
Sales = Rs 40,000 ; Fixed Cost = Rs 12,000 ;
Variable Cost = Rs 20,000
Also calculate the revised values of these if:
Fixed cost increases by 10%, Variable Cost decreases by 10% and Sales increases by 10% (all together). | 10 | CO2 |
| | b) Mention the major exceptions to the Law of Demand. | 5 | CO1 |

10. a) From the following information calculate: 12 CO2,3
- (i) NPV
(ii) IRR
(iii) PI

Yr	Net Cash Flow(Rs)
1	5000
2	8000
3	10,000
4	4000

Initial Investment is Rs 20,000.

Given:

Year	D.F@13%
1	0.885
2	0.783
3	0.693
4	0.613

- b) What is Cross Elasticity of Demand? Explain. 3 CO1
11. Write short notes on **any three** : 3x5=15
- a) Recession 5 CO2
- b) GDP & GNP 5 CO2
- c) Business cycle 5 CO2
- d) Significance of Margin of Safety 5 CO3
- e) IRR 5 CO1