

Code: ME3T6

**II B.Tech - I Semester–Regular/Supplementary Examinations –
November 2017**

**ENGINEERING ECONOMICS
(MECHANICAL ENGINEERING)**

Duration: 3 hours

Max. Marks: 70

PART – A

Answer *all* the questions. All questions carry equal marks

11x 2 = 22 M

1. a) Define Managerial Economics.
- b) List any four exceptions for Law of Demand.
- c) Define isoquant.
- d) What do you mean by Opportunity cost.
- e) Mention any 4 characteristic features of Joint Stock company.
- f) Define break even point .
- g) List out types of accounts with examples.
- h) What do you mean by accounting rate of return.
- i) Explain the significance of Capital Budgeting in Decision making.
- j) Mention any two pricing models.
- k) How do you forecast demand for a new product?

PART – B

Answer any **THREE** questions. All questions carry equal marks. 3 x 16 = 48 M

2. a) Managerial Economics is the application of Economic Theory to business management. Discuss. 8 M
b) What are the factors governing demand forecasting. 8 M
3. a) If actual sales are 10,000 units and selling price is Rs.20 per unit, variable cost Rs.10 per unit and fixed cost is Rs.80,000, find out BEP in units and in sales revenue. What is profit earned? What should be the sales required for earning a profit of Rs.60,000? 8 M
b) What are the main features of Monopoly? How does it differ from Perfect Competition? 8 M
4. a) “In the changing business environment the public sector enterprises should follow the principles of business”. Do you agree with this statement? Elucidate . 8 M
b) What do mean by partnership? Explain its features, advantages and disadvantages. 8 M
5. A company has two proposals each costing Rs.9 lakhs . The details of the cash inflows are as follows:

Year	Project 1	Project 2
1	3,00,000	6,00,000
2	5,00,000	4,00,000
3	6,00,000	3,00,000
4	2,00,000	2,00,000

The cost of capital is 10% per year. Which one will you choose under NPV method. 16 M

6. Journalise the following transactions as on 31st December 2008.

<u>Date</u>	<u>Transactions</u>	
Dec' 3	Purchased goods from Kumar Rs.30,000	2 M
Dec' 12	Salaries paid to employees Rs.50,000	2 M
Dec' 15	Sold goods to Sudhakar Rs. 50,000	2 M
Dec' 18	Paid wages Rs.2,000	2 M
Dec' 20	Cash paid to Sirisha Rs.3,000	2 M
Dec'25	Amount deposited into Bank Rs.25,000	2 M
Dec'26	Cash withdrawn from Bank Rs. 10,000	2 M
Dec'31	Paid stationery expenses Rs. 15,000	2 M