

Code: ME3T6

**II B.Tech - I Semester – Regular Examinations – December 2015**

**ENGINEERING ECONOMICS  
(MECHANICAL ENGINEERING)**

Duration: 3 hours

Max. Marks: 70

**PART – A**

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

11 x 2 = 22 M

1. Briefly explain the following.
  - a) Law of Demand
  - b) Delphi Method
  - c) Least cost combination of Inputs
  - d) External Economies of Scale
  - e) M-Commerce
  - f) Break even point
  - g) Public sector Enterprise
  - h) Present worth method
  - i) Liability & Asset
  - j) Straight line method of Depreciation
  - k) Capital Budgeting

## PART – B

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

2. a) Define managerial economics. Explain the nature and scope of managerial economics. 10 M
- b) What is elasticity of demand? Discuss any one method to measure price elasticity of demand. 6 M
3. a) Explain the production function with reference to law of variable proportions and substitutability of factors. 8 M
- b) Compare and contrast between perfect competition and monopoly. 8 M
4. a) Who is a sole proprietor? Explain features, merits and limitations of sole proprietorship form of organization? 10 M
- b) Distinguish between different forms of public sector enterprises i.e., departmental organizations, public corporations, government companies. 6 M
5. a) Discuss any three approaches to financial management. 9 M

b) Define Accounting. Discuss the conventions of accounting. 7 M

6. a) Discuss the procedure to calculate depreciation by declining balance method. 4 M

b) A business firm is planning of choosing the right machines for their purpose after financial evaluation of their proposals. The initial cost and the net cash flow over 5 years to the business firm have been computed for each machine and are as follows:

Particulars	Machine(X) (in Rs)	Machine (Y) (in Rs)
Initial Cost	20,000	28,000
Net Cash Flow 1 year	8,000	10,000
2 year	12,000	12,000
3 year	9,000	12,000
4 year	7,000	9,000
5 year	6,000	9,000

Choose the machine based on

a) Payback period method 6 M

b) Accounting rate of return method 6 M