- (3)
- (a) Explain sensitivity analysis with one example.
- (b) How does depreciation affect the Income Statement and Balance Sheet ? Explain with two examples.
 5
- From the following data, compute material variances:

Standard		and l	Actival	
Name of the material	Quantity	Price	Camminy:	PHE
Alpha	4.000	-10	4,200	12
Beta	2,000	-21	2,150	20
Gemma:	1,500	-33	1,250	36



Write short notes on :

5 + 5

- (a) Process Costing and Process Lesses
- (b) Cost control.

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Third Semester Examination - 2008 ENGINEERING ECONOMICS AND COSTING

Full Marks - 70

Time: 3 Hours

Answer Question No. 1 which is compulsory and any five from the rest.

The figures in the right-hand margin indicate marks.

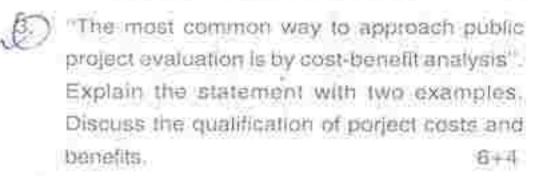
Answer the following questions: 2×10

- (a) Why is it essential to find out the time value of money?
- (b) If a certain sum of money is doubled in 8 years at a given simple interest, in how many years will it be four times?
- (c) How does change in interest rate affect an equivalence between two cash flows?

- (d) How is present worth helpful in evaluating the project?
- State two differences between tangible benefits and intangible benefits.
- (f) Define IRR.
- (g) Why is depreciation charged on fixed assets?
- (h) What is 'contribution'?
- (i) How will you find out abnormal gain ?
- (i) What do you mean by relevant cost?
- (a) What will be the future equivalent amount at the end of five years of a uniform, continuous cash flow, at the rate of Rs. 500 per year for five years, with interest compounded continuously at the nominal annual rate of 8%?
 - (b) The lease payments of a machine amount to Rs. 10,000 per month for live years. If payments are made on the first of each

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month, what is the present worth of the agreement at a nominal annual interest rate of 12%, compounded monthly?



 Why is it required to find out equivalent annual worth? How can you compare the assets with unequal lives? Discuss with examples. 4+6

5 ABC Ltd. has provided the following information:

	1.000	Sales	Profit	
3		Hs.	As.	
11.45	2007	10.00,000	2,00,000	
	2008	15,00,000	4,00,000	

You are required to calculate:

3+3+4

- (i) P/V ratio
- (ii) Fixed cost
- (iii) Break-even sales.

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3

P.T.O.