

**FOURTH SEMESTER 2008
ENGINEERING ECONOMICS AND COSTING....**

Question 1

(a)

How will You find the present value of an infinite life annuity?

(b)

State the Bases of comparing the worthiness of the various projects.

(c)

State the benefit cost ratio to evaluate a single public activity.

(d)

What are the needs for capital rationing ?

(e)

State two characteristics of discounted cash flow techniques.

(f)

What is cost-effectiveness analysis?

(g)

What is depletion ?

(h)

Define 'margin of safety'.

(j)

Define 'variable overhead cost variance'.

Question 2

From the under mentioned facts, develop the repayment schedule for the three consumer financing

schemes(A),(B)and (C) using the flat rate of interest both long and shortcut approach.

* LOan amount :Rs.2,40,000

* Repayment period:3 years

* Rates of interest (flat): 6 percent

* Repayment pattern : Schme(A),loan to be repaid in three equal investments;

Schemes (B), loan with interest to be repaid in three equated annual instalments; and

Sheme(C),loan with

interest to be paid in three equal instalments.(10)

Question 3

Explain with the help of examples, the importance of equivalent annual worth .

Discuss the difference between annual payment and capital recovery.(10)

Question 4

Contrast the IRR and the NPV methods.

Under what circumstances may they lead to (a)comparable recommendations and,

(b) conflicting recommendations?(5+5)

Question 5

AB Ltd. a multi-product company , furnishes you the following data relating to the current yeat:

	First half	Second Half	
		of the year	of the year
	sales	45,000	50,000
Total cost	40,000	43,000	

Assuming that there is no change in prices and variable cost , and that the fixed cost , and that fixed expences are incurred equally inthe two half year period , calculate for the year:

- Profit-volume ratio
 - fixed expences
 - Break-even analysis
 - Percentage margin of safety.
- (2.5*4)

Question 6

State the objectives of charging depreciation .
Make a comparative study between straight line meathod and written down value meathod.(4+6)

Question 7

- Explain with one example, the concept of relevant cost for descition making.(5)
- Discuss two cost reduction techniques.(5)

Question 8

(a)
From the following particulars, compute the variable overhead variances:

	Standards	Actuals	
	Outputs in units	2,500 units	2,000
Labour Hours	5,000	6,000	
Variable overheads Rs.	1,000	1,500	

- How will you prepare a process account to find out the cost of a particular process?
Explain with imaginary figures.(5+5)