Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MTM – SEMESTER – 5 • EXAMINATION – WINTER 2015

Subject Code:4250101 **Date: 19/12/2015**

Subject Name: Engineering Economics

Time: 10.30 AM TO 01.30 PM **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1 **(a)** Explain the scope of Engineering Economics **07**

(b) What is law of demand? Discuss the factors that cause change in demand and quantity demanded of a good. **07**

Q.2 **(a)** Draw a circular-flow diagram representing the interactions between households and firms in a simple economy. Explain briefly the various parts of the diagram. **07**

(b) Explain with diagrams the effect of following events on the equilibrium price and quantity of a good. **07**

(i) Increase in demand
(ii) increase in supply
(iii) increase in both, demand and supply

OR

(b) Delta Ltd. has the following cost schedules. Calculate AVC, FC & MC for each quantity. What is the relationship between the marginal cost curve and the average total cost curve? **07**

Quantity	Variable cost	Total cost
0	Rs. 0	Rs. 30
1	10	40
2	25	55
3	45	75
4	70	100
5	100	130
6	135	165

Q.3 **(a)** What is production function? Explain the short run production function. **07**

(b) Omega Ltd. Produces designer tables. Its fixed cost is Rs. 2,00,0000 per month. The company sells tables at a price of Rs. 5000 per table and the variable cost incurred per table is Rs. 3000 per table. **07**

(i) Compute the number of tables the company must sell in order to earn zero profit.
(ii) Compute the number of tables the company must sell in to earn profit of Rs. 1,40,000.

OR

Q.3 **(a)** Explain economies and diseconomies of scale. What are the factors causing economies and diseconomies of scale? **07**

(b) Explain the following concepts: **07**

(i) Accounting cost Vs. Economic cost
(ii) Fixed cost Vs. Variable cost
(iii) Sunk cost Vs. Incremental cost

Q.4 **(a)** Compare and contrast different market structures. **07**

(b) Write a detailed note on the production possibility curve. **07**

OR

Q.4	**(a)**	Explain the characteristics of oligopoly market. Also give three examples of oligopoly market.	**07**
	(b)	What is monopoly and why they are created? In your opinion, are monopolies good or bad?	**07**
Q.5	**(a)**	What is inflation? What are the causes of inflation?	**07**
	(b)	What is GDP? How is it measured? What is the difference between GDP and GNP?	**07**

OR

Q.5	**(a)**	What are the tools in the hands of Reserve Bank of India to control money supply in the economy?	**07**
	(b)	Explain with example the concept of multiple credit creation under the fractional reserve system/	**07**

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