

SUB:-Engineering Economics

SEM-4th (EE,EEE,CSE,ETC)

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) A relative price is :-

A) the ratio of one price to another.

B) the difference between one price and another.

C) the slope of the supply curve.

D) the slope of the demand curve.

Ans.A

2) Wants, as opposed to demands, :-

A) depend on the price.

B) are the goods the consumer plans to acquire.

C) are the unlimited desires of the consumer

D) are the goods the consumer has acquired.

Ans.C

3) Demands differ from wants in that

A) wants require a plan to acquire a good but demands require no such plan.

B) demands are unlimited, whereas wants are limited by income.

C) wants imply a decision about which demands to satisfy, while demands involve no specific plan to acquire the good.

D) demands reflect a decision about which wants to satisfy and a plan to buy the good, while wants are unlimited and involve no specific plan to acquire the good.

Ans.D

4) The quantity demanded is

A) the amount of a good that consumers plan to purchase at a particular price. B) independent of the price of the good.

C) independent of consumers' buying plans.

D) always equal to the equilibrium quantity.

Ans.A

5) The law of demand states that, other things remaining the same, the higher the price of a good, the

A) smaller is the demand for the good.

B) smaller is the quantity of the good demanded.

C) larger is the quantity of the good demanded.

D) larger is the demand for the good.

Ans.B

6) The law of demand implies that, other things remaining the same,

A) as the demand for cheeseburgers increases, the price of a cheeseburger will fall.

- B) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will decrease.
C) as income increases, the quantity of cheeseburgers demanded will increase.
D) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will increase.

Ans.B

7) The law of demand states that the quantity of a good demanded varies

- A) inversely with its price.
B) directly with population.
C) directly with income.
D) inversely with the price of substitute goods.

Ans.B

8) Which of the following is consistent with the law of demand?

- A) A decrease in the price of a gallon of milk causes a decrease in the quantity of milk demanded.
B) An increase in the price of a soda causes a decrease in the quantity of soda demanded.
C) An increase in the price of a tape causes an increase in the quantity of tapes demanded.
D) A decrease in the price of juice causes no change in the quantity of juice demanded.

Ans.B

9) The law of demand implies that if nothing else changes, there is

- A) a linear relationship between price of a good and the quantity demanded.
B) a positive relationship between the price of a good and the quantity demanded.
C) a negative relationship between the price of a good and the quantity demanded.
D) an exponential relationship between price of a good and the quantity demanded.

Ans.C

10) The law of demand states that

- A) a decrease in the price of a good shifts the demand curve leftward.
B) other things remaining the same, the higher the price of a good, the smaller is the quantity demanded.
C) other thing remaining the same, the higher the price of a good, the larger is the quantity demanded.
D) an increase in the price of a good shifts the demand curve leftward.

Ans.B

11) The law of demand implies that demand curves

- A) shift leftward whenever the price rises, B) shift rightward whenever the price rises,
C) slope down, D) slope up,

Ans.C

12) A drop in the price of a compact disc shifts the demand curve for prerecorded tapes leftward. From that you know compact discs and prerecorded tapes are

- A) normal goods, B) substitutes, C) inferior goods, D) complements.

Ans.B

13) A substitute is a good

- A) of higher quality than another good, B) that is not used in place of another good,
C) that can be used in place of another good, D) of lower quality than another good.

Ans.C

14) People buy more of good 1 when the price of good 2 rises. These goods are

- A) normal goods, B) complements, C) substitutes, D) inferior goods.

Ans.C

15) The demand for a good increases when the price of a substitute _____ and also increases when the price of a complement _____.

- A) falls; falls B) rises; falls C) rises; rises D) falls; rises

Ans.B

16) A complement is a good

- A) used in conjunction with another good B) used instead of another good.
C) of lower quality than another good. D) of higher quality than another good.

Ans.A

17) As the opportunity cost of a good decreases, people buy

- A) more of that good but less of its complements. B) less of that good and also less of its complements.
C) less of that good but more of its complements. D) more of that good and also more of its complements.

Ans.D

18) The demand curve for a normal good shifts leftward if income _____ or the expected future price _____.

- A) decreases; falls B) increases; rises C) increases; falls D) decreases; rises

Ans.A

19) If income increases or the price of a complement falls,

- A) the supply curve of a normal good shifts leftward.
- B) the supply curve of a normal good shifts rightward.
- C) the demand curve for a normal good shifts rightward.
- D) the demand curve for a normal good shifts leftward.

Ans.C

20) If income decreases or the price of a complement rises,

- A) there is an upward movement along the demand curve for the good.
- B) there is a downward movement along the demand curve for the good.
- C) the demand curve for a normal good shifts leftward.
- D) the demand curve for a normal good shifts rightward.

Ans.C

21) Normal goods are those for which demand decreases as

- A) the price of a substitute falls.
- B) the price of a complement falls.
- C) the good's own price rises.
- D) income decreases.

Ans.D

22) A normal good is a good for which demand

- A) increases when income increases.
- B) decreases when population increases.
- C) increases when population increases.
- D) decreases when income increases.

Ans.A

23) Inferior goods are those for which demand increases as

- A) income decreases.
- B) income increases.
- C) the price of a substitute rises.
- D) the price of a substitute falls.

Ans.A

24) If a good is an inferior good, then purchases of that good will decrease when

- A) the demand for it increases.
- B) population increases.
- C) income increases.
- D) the price of a substitute rises.

Ans.C

25) An inferior good is a good for which demand

- A) increases when population increases.
- B) decreases when income increases.
- C) decreases when population increases.
- D) increases when income increases.

Ans.B

26) A change in the price of a good

- A) shifts the good's demand curve but does not cause a movement along it.
- B) does not shift the good's demand curve but does cause a movement along it.
- C) shifts the good's demand curve and also causes a movement along it.
- D) neither shifts the good's demand curve nor causes a movement along it.

Ans.B

27) A reduction in the price of a good

- A) does not shift the good's demand curve leftward but does decrease the quantity demanded.
- B) shifts the good's demand curve leftward but does not decrease the quantity demanded.
- C) shifts the good's demand curve leftward and also decreases the quantity demanded.
- D) neither shifts the good's demand curve leftward nor decreases the quantity demanded.

Ans.A

28) A decrease in quantity demanded caused by an increase in price is represented by a

- A) movement up and to the left along the demand curve.
- B) movement down and to the right along the demand curve.
- C) leftward shift of the demand curve.
- D) rightward shift of the demand curve.

Ans.A

29) When we say demand increases, we mean that there is a

- A) movement to the right along a demand curve.
- B) movement to the left along a demand curve.
- C) leftward shift of the demand curve.
- D) rightward shift of the demand curve.

Ans.A

30) The quantity supplied of a good is

- A) equal to the difference between the quantity available and the quantity desired by all consumers and producers.
- B) the same thing as the quantity demanded at each price.
- C) the amount that the producers are planning to sell at a particular price during a given time period.
- D) the amount the firm would sell if it faced no resource constraints.

Ans.C

31) The quantity supplied of a good or service is the quantity that a producer

- A) actually sells at a particular price during a given time period.
- B) should sell at a particular price during a given time period.
- C) is willing to sell at a particular price during a given time period.
- D) needs to sell at a particular price during a given time period.

Ans.C

32) A fall in the price of a good causes producers to reduce the quantity of the good they are willing to produce. This fact illustrates

- A) a change in supply.
- B) the law of demand.
- C) the nature of an inferior good.
- D) the law of supply.

Ans.C

33) A supply curve shows the relation between the quantity of a good supplied and

- A) the price of the good. Usually a supply curve has negative slope.
- B) income. Usually a supply curve has positive slope.
- C) income. Usually a supply curve has negative slope.
- D) the price of the good. Usually a supply curve has positive slope.

Ans.D

34) A supply curve differs from a supply schedule because a supply curve

- A) is a graph and the supply schedule is a table.
- B) holds the number of suppliers constant, whereas the supply schedule allows the number to vary.
- C) holds resource prices constant, whereas the supply schedule allows them to vary.
- D) represents one firm, whereas the supply schedule represents all firms in the market.

Ans.A

35) Which of the following is NOT held constant while moving along a supply curve?

- A) prices of resources used in production
- B) expected future prices
- C) the number of sellers
- D) the price of the good itself

Ans.D

36) If a producer can use resources to produce either good A or good B, then A and B are

- A) substitutes in consumption
- B) complements in consumption.
- C) complements in production.
- D) substitutes in production.

Ans.D

37) Good A and good B are substitutes in production. The demand for good A decreases, which lowers the price of good A. The decrease in the price of good A

- A) increases the demand for good B. B) decreases the demand for good B.
C) increases the supply of good B. D) decreases the supply of good B.

Ans.C

38) Which of the following does NOT shift the supply curve?

- A) an increase in the price of the good B) a fall in the price of a substitute in production
C) a decrease in the wages of labor used in production of the good D) a technological advance

Ans.A

39) If the price of a good changes but everything else influencing suppliers' planned sales remains constant, there is a

- A) rotation of the initial supply curve around the initial price. B) new supply curve that is to the right of the initial supply curve.
C) new supply curve that is to the left of the initial supply curve. D) movement along the supply curve.

Ans.D

40) A decrease in the quantity supplied is represented by a

- A) rightward shift in the supply curve. B) movement down the supply curve.
C) leftward shift in the supply curve. D) movement up the supply curve.

Ans.B

41) Which of the following causes an increase in the quantity supplied of good X but NOT in the supply of good X?

- A) an increase in the price of X B) an increase in the price of good Y, a complement in the production of X
C) an improvement in the technology for producing X D) a reduction in the price of resources used to produce X

Ans.A

42) The interaction of supply and demand explains

- A) both the prices and the quantities of goods and services. B) the quantities of goods and services but not their prices.
C) the prices of goods and services but not their quantities. D) neither the prices nor the quantities of goods and services.

Ans.A

43) When the quantity demanded equals quantity supplied

- A) the government must be intervening in the market. B) there is a shortage.

C) there is a surplus.

D) none of the above

Ans.D

44) When the price is below the equilibrium price, the quantity demanded

A) is less than the equilibrium quantity. The quantity supplied exceeds the equilibrium quantity.

B) exceeds the equilibrium quantity. The quantity supplied is less than the equilibrium quantity.

C) exceeds the equilibrium quantity. So does the quantity supplied.

D) is less than the equilibrium quantity. So is the quantity supplied.

Ans.B

45) A price below the equilibrium price results in

A) a further price fall. B) a shortage.

C) excess supply. D) a surplus.

Ans.B

46) A shortage causes the

A) supply curve to shift rightward.

B) price to rise.

C) price to fall.

D) demand curve to shift leftward.

Ans.B

47) If the quantity demanded exceeds the quantity supplied, then there is

A) a shortage and the price is above the equilibrium price.

B) a surplus and the price is below the equilibrium price.

C) a shortage and the price is below the equilibrium price.

D) a surplus and the price is above the equilibrium price.

Ans.C

48) A surplus occurs when the price is

A) equal to the equilibrium price.

B) greater than the equilibrium price.

C) less than the equilibrium price.
of the price of the good.

D) None of the above because the existence of a surplus is independent

Ans.B

49) If the quantity supplied exceeds the quantity demanded, then there is

A) a shortage and the price is below the equilibrium price.

B) a surplus and the price is below the equilibrium price.

C) a surplus and the price is above the equilibrium price.

D) a shortage and the price is above the equilibrium price.

Ans.C

50) When the demand for a good decreases, its equilibrium price _____ and equilibrium quantity _____

A) rises; decreases B) falls; decreases C) falls; increases D) rises; increases

Ans.B

51) Goods A and B are complementary goods (in consumption). The cost of a resource used in the production of A decreases. As a result,

A) the equilibrium price of B will fall and the equilibrium price of A will rise.

B) the equilibrium prices of both A and B will rise.

C) the equilibrium price of B will rise and the equilibrium price of A will fall.

D) the equilibrium prices of both A and B will fall.

Ans.C

52) When demand decreases and supply does not change, the equilibrium price

A) rises and the equilibrium quantity decreases. B) rises and the equilibrium quantity increases.

C) falls and the equilibrium quantity increases. D) falls and the equilibrium quantity decreases.

Ans.D

53) When supply decreases and demand does not change, the equilibrium quantity

A) decreases and the price rises. B) increases and the price falls.

C) decreases and the price falls. D) increases and the price rises.

Ans.A

54) If both demand and supply increase, what will be the effect on the equilibrium price and quantity?

A) The price will rise but the quantity could either increase, decrease, or remain the same.

B) The quantity will increase but the price could either rise, fall, or remain the same.

C) Both the price and the quantity will increase. D) The price will fall but the quantity will increase.

Ans.B

55) If both the demand and supply increase, the equilibrium quantity

A) decreases and the price rises. B) increases and the effect on price is indeterminate.

C) decreases and the effect on price is indeterminate. D) increases and the price falls.

Ans.B

56) The price will rise and the equilibrium quantity might increase, decrease, or stay the same when the

A) demand and the supply of a good both increase.

B) demand and the supply of a good both decrease.

C) demand for a good decreases and the supply of it increases.
decreases.

D) demand for a good increases and the supply of it decreases.

Ans.D

57) The equilibrium quantity of a good will increase and its equilibrium price might rise, fall, or stay the same when

A) its demand decreases and supply increases.

B) its demand increases and supply decreases.

C) its demand and supply both increase.

D) its demand and supply both decrease.

Ans.C

58) The price of compact disc players fell over the past decade because a combination of improving technology, rising incomes, and falling prices of compact discs caused the

A) demand curve for compact disc players to shift rightward faster than the supply curve of compact disc players shifted rightward.

B) supply curve of compact disc players to shift rightward faster than the demand curve for compact disc players shifted rightward.

C) demand curve for compact disc players to shift leftward and the supply curve of compact disc players to shift leftward.

D) supply curve of compact disc players to shift rightward and the demand curve for compact disc players to shift leftward.

Ans.B

59) Which of the following will always raise the equilibrium price?

A) an increase in demand combined with a decrease in supply

B) a decrease in both demand and supply

C) an increase in both demand and supply

D) a decrease in demand combined with an increase in supply

Ans.A

60) A decrease in the price of a game of bowling shifts the

A) demand curve for bowling balls rightward.

B) supply curve of bowling balls leftward.

C) supply curve of bowling balls rightward.

D) demand curve for bowling balls leftward.

Ans.A

61) Which of the following definitely causes a fall in the equilibrium price?

A) a decrease in both demand and supply

B) an increase in demand combined with a decrease in supply

C) a decrease in demand combined with an increase in supply

D) an increase in both demand and supply

Ans.C

62) CD players rise in price while pre-recorded audio tapes fall in price. The combined effect of these two changes is to create

A) a leftward shift of the demand curve for portable audio tape players, such as a Walkman.

B) a rightward shift of the demand curve for portable audio tape players, such as a Walkman.

C) a rightward shift of the supply curve for portable audio tape players, such as a Walkman.

D) a leftward shift of the supply curve of portable audio tape players, such as a Walkman.

Ans.B

63) Walkman Watch expects a recession to occur. Knowing that a Walkman is a normal good, you predict that the demand for a Walkman

A) will increase.

B) might increase or decrease.

C) will decrease.

D) will remain unchanged.

Ans.C

64) Wages for workers producing Walkmans and similar products will rise next year. Walkman Watch asks you to predict the effect of this change in next year's market for Walkmans. You predict that the major effect will be that the

A) demand curve for a Walkman will shift leftward.

B) supply curve for a Walkman will shift rightward.

C) supply curve for a Walkman will shift leftward.

D) demand curve for a Walkman will shift rightward.

Ans.C

65) _____ shows the overall output generated at a given level of input:

(a) Cost function

(b) Production function

(c) Iso cost

(d) Marginal rate of technical substitution

Ans.B

66) If LAC curve falls as output expands, this is due to _____:

(a) Law of diminishing returns

(b) Economics of scale

(c) Law of variable proportion

(d) Diseconomics of scale

Ans.B

67. Isoquants are equal to:

(a) Product Lines

(b) Total utility lines

(c) Cost lines

(d) Revenue lines

Ans A

68) The marginal product curve is above the average product curve when the average product is :

- (a) Increasing (b) Decreasing (c) Constant (d) None

Ans.A

69). Increasing returns to scale can be explained in terms of:

- (a) External and internal economies (b) External and internal diseconomies
(c) External economics and internal diseconomies (d) All of these

Ans.A

70. An isoquant is _____ to an iso cost line at equilibrium point:

- (a) Convex (b) Concave (c) Tangent (d) Perpendicular

Ans.C

71. At the point of inflexion, the marginal product is:

- (a) Increasing (b) Decreasing (c) Maximum (d) Negative

Ans.C

72. Diminishing marginal returns implies:

- (a) Decreasing average variable costs (b) Decreasing marginal costs
(c) Increasing marginal costs (d) Decreasing average fixed costs

Ans.C

73. If the marginal product of labour is below the average product of labour. It must be true that:

- (a) Marginal product of labour is negative (b) Marginal product of labour is zero
(c) Average product of labour is falling (d) Average product of labour is negative

Ans.C

74. Law of variable proportion is valid when:

- (a) Only one input is fixed and all other inputs are kept variable (b) All factors are kept constant
(c) All inputs are varied in the same proportion (d) None of these

Ans.A

75. At breakeven point there is

- (a) Profit (b) Loss (c) No profit or loss (d) None of these

(Ans:c)

76. At breakeven point

- (a) Total expenses = Total revenue b) Total expenses > Total revenue
(c) Total expenses < Total revenue (d) Any of the above

(Ans:a)

77. In any organization, profits depends mainly upon

(a) Production cost

(b) Production output

(c) Revenue

(d) All of the above

(Ans: d)

78. There are various methods to reduce cost of production, except

(a) Increase in production output

(b) Reduction in number of rejections

(c) Maintaining maximum inventory levels

(d) Producing standardized products

(Ans: c)

79. The following assumptions are made in case of break even analysis, except

(a) All fixed costs are fixed

(b) All variable costs are fixed

(c) The prices of input factors are constant

(d) Volume of production and volumes of sales are equal

(Ans: b)

80. The breakeven point is obtained at intersection of

(a) Total revenue and Total cost line

(b) Total cost and variable cost line

(c) Variable cost and fixed cost line

(d) Fixed cost and total cost line

(Ans: a)

81. Margin of safety is equal to

(a) Actual sales – Sales at Breakeven point

(b) Actual sales + Sales at Breakeven point

(c) Actual sales x Sales at Breakeven point

(d) Actual sales / Sales at Breakeven point

(Ans: a)

82. To increase margin of safety, the following measures can be taken

(i) Increase in sales price

(ii) Increase the output

(ii) Reduce the fixed and variable costs

83. Which of the following is/are true?

(a) Only I

(b) I & II

(c) II & III

(d) All of the above

(Ans: d)

84. Angle of incidence is the angle at which

(a) Total revenue line intersects the total cost line

(b) Total cost line intersects the variable cost line

(c) Variable cost line intersects fixed cost line

(d) Fixed cost line intersects total revenue line

(Ans: a)

85. Contribution per unit is equal to

- (a) Selling price per unit – variable cost per unit
(c) Selling cost per unit x variable cost per unit

(Ans:a)

- (b) Selling cost per unit + variable cost per unit
(d) Selling cost per unit / variable cost per unit

86. The quantity required to have desired profit is

- (a) $(\text{Fixed cost} + \text{Desired profit}) / \text{Contribution per unit}$
(c) $(\text{Fixed cost} \times \text{Desired profit}) / \text{Contribution per unit}$

(Ans:a)

- (b) $(\text{Fixed cost} - \text{Desired profit}) / \text{Contribution per unit}$
(d) $\text{Fixed cost} / (\text{Desired profit} \times \text{Contribution per unit})$

87. An industry is selling a product for Rs. 10 per unit. The fixed cost for assets is Rs. 40000 with variable cost of Rs. 6 per unit. How many units should be produced to break even?

- (a) 8,000 (b) 10,000 (c) 12,000 (d) 14,000

(Ans:b)

88. The data for an industrial unit is as follow:

(a) Fixed costs of assets = Rs. 20,000 , Sales price per unit = Rs. 8 , Variable cost = Rs. 6,000
Contribution for 6000 units = Rs. 12,000. The sales volume for breakeven is

- (a) 8,000 (b) 10,000 (c) 12,000 (d) 14,000

(Ans:b)

89. When prices are falling continuously, the phenomenon is called:

- (a) Inflation (b) Stagflation (c) Deflation (a) Reflation

Ans.C

90. When too much money chases too few goods, the resulting Inflation is called:

- (a) Deflation (b) Demand-pull Inflation (c) Cost push inflation (a) Stagflation

Ans.B

91. Cause of Inflation in India is / are:

- (a) Deficit financing (b) Erratic agriculture growth
(c) Inadequate rise in industrial production (a) All of the above

Ans.D

92. Stagflation means:

- (a) Inflation with stagnation (b) Recession with stagnation

(c) Inflation galloping like stage

(a) Inflation & Increasing output

Ans.A

93. Which is the most effective quantitative method to control inflation in the economy?

(a) Bank rate policy

(b) Selective credit control

(c) Cash reserve ratio (a) Both (a) and (b)

Ans.C

94. Which measures are followed by the government for handling inflation?

(a) Monetary measures

(b) Fiscal measures

(c) Controlling investments (a) All of these

Ans.D

95. Inflation is measured on the basis of:

(a) Wholesale price index

(b) Consumer price index

(c) Marshall's index

(a) All of these

Ans.B

96. When price increases due to increase in factor prices it is _____.

(a) Demand pull inflation

(b) Cost pull inflation

(c) Stagflation

(a) None of the above.

Ans.B

97. Central Bank is a/an _____.

(a) Apex Bank

(b) Rural Bank

(c) Regional bank

(d) Commercial Bank

Answer: Apex Bank

98. Legal service ratio is equal to _____.

(a) CRR/SLR

(b) CRR - SLR

(c) SLR - CLR

(d) CRR + SLR

Answer: CRR + SLR

99) What is the currency deposit ratio (cdr)?

a) ratio of money held by the public in currency to that of money held in bank deposits

b) ratio of money held by public in bank deposits to that of money held by public in currency

c) ratio of money held in demand drafts to that of money held in treasury bonds

d) none of the above

ANSWER: a) ratio of money held by the public in currency to that of money held in bank deposits

100) What is the reserve deposit ratio (rdr)?

a) the proportion of money RBI lends to commercial banks

b) the proportion of total deposits commercial banks keep as reserves

c) the total proportion of money that commercial banks lend to the customers

d) none of the above

ANSWER: b) the proportion of total deposits commercial banks keep as reserves

101) What is the Cash Reserve Ratio (CRR)?

- a) the fraction of the deposits that commercial banks lend to the customers
- b) the fraction of the deposits that RBI must keep with commercial banks
- c) the fraction of the deposits that commercial banks must keep with RBI
- d) none of the above

ANSWER: c) the fraction of the deposits that commercial banks must keep with RBI

102). Suppose the supply for product A is perfectly elastic. If the demand for this product increases:

- A. the equilibrium price and quantity will increase;
- B. the equilibrium price and quantity will decrease;
- C. the equilibrium quantity will increase but the price will not change;
- D. the equilibrium price will increase but the quantity will not change.

Ans.C

103. If the coefficient of income elasticity of demand is higher than 1 and the revenue increases, the share of expenditures for commodity X in total expenditure:

- A. will increase;
- B. will decrease;
- C. will remain constant;
- D. can not be determined.

Ans.A

104. If the demand for agricultural products is inelastic:

- A. as the prices decrease, the revenues earned by producers increase;
- B. as the prices decrease, the revenues earned by producers decrease;
- C. rising prices do not lead to differentiation in producers' incomes;
- D. the percentage decrease in prices is lower than the percentage increase in demand.

Ans.B

105. For a rational consumer who has to choose between two goods in the context of budget constraints, the price change of one of the goods, caeteris paribus, will determine:

- A. a parallel shift of the budget line to the left;
- B. a change in the slope of the budget line;
- C. no change in the budget line;
- D. a parallel shift of budget line to the right.

Ans.B

106. The price of the product A was reduced from 100 to 90 lei and, as a result, the quantity demanded has increased from 70 to 75 units. The demand is:

- A. inelastic;
- B. elastic;
- C. unit elastic;
- D. can not be determined from the given information

Ans.A

107) The slope of a demand curve depends on

- A) the units used to measure quantity but not the units used to measure price.

- b) the units used to measure price and the units used to measure quantity.
- c) the units used to measure price but not the units used to measure quantity.
- D) neither the units used to measure price nor the units used to measure quantity.

Ans.B

108) The price elasticity of demand depends on

- A) the units used to measure price but not the units used to measure quantity.
- B) the units used to measure price and the units used to measure quantity.
- C) the units used to measure quantity but not the units used to measure price.
- D) neither the units used to measure price nor the units used to measure quantity.

Ans.D

109) The price elasticity of demand measures

- A) the slope of a budget curve.
- B) how often the price of a good changes.
- C) the responsiveness of the quantity demanded to changes in price.
- D) how sensitive the quantity demanded is to changes in demand.

Ans.C

110) When the quantity of coal supplied is measured in kilograms instead of pounds, the demand for coal becomes

- A) more elastic.
- B) neither more nor less elastic.
- C) less elast
- D) undefined.

Ans.B

111) The price elasticity of demand equals

- A) the percentage change in the quantity demanded divided by the percentage change in the price.
- B) the change in the quantity demanded divided by the change in price.
- C) the percentage change in the price divided by the percentage change in the quantity demanded.
- D) the change in the price divided by the change in quantity demanded.

Ans.A

112. Calculate B.E.P capacity if Fixed cost is Rs 50,000, percentage of variable cost is 66 2/3% and capacity is Rs 3,00,000.

- a. 25%
- b. 30%
- c. 50%
- d. None of the above

Ans.B

113. Calculate margin of safety if sales is Rs 3,00,000 and B.E.P is Rs 4,50,000.

- a. Rs 1,00,000
- b. Rs 1,50,000
- c. Amount of sales < B.E.P, therefore no margin of safety

d. None of the above 114.

Ans.A

115. Given Break even sales is 40,000 Profit earned is Rs 2,000 and fixed cost is Rs 8,000. Determine actual sales.

- a. Rs 50,000 b. Rs 20,000 c. Rs 32,000 d. None of the above

Ans.A

116. Determine B.E.P in units and amount if Units produced is Rs 10,000, Fixed cost is Rs 40,000, Selling price is Rs 50 per unit and Variable cost is Rs 30 per unit.

- a. Rs 40 per unit, Rs 2,00,000 b. Rs 50 per unit, Rs 10,00,000 c. Rs 20 per unit, Rs 1,00,000
d. None of the above

Ans.C

117. What will be the sales amount required to earn a profit of Rs 4,00,000, if fixed cost is Rs 80,000, direct material is Rs 5 per unit, direct labor Rs 2 per unit, direct overhead 100% of direct labor and selling price is Rs 12 per unit.

- a. Rs 19,20,000 b. Rs 3,20,000 c. Rs 12,90,000 d. None of the above

Ans.A

118. Given fixed costs is Rs 1,00,000 selling price per unit is Rs 10 and variable cost per unit is Rs 6. If variable cost increase by 10% and fixed cost decrease by 10%, B.E.P will

- a. Increase by 1,471 units b. Decline by 1,471 units c. Increase by 4,171 units d. None of the above

ANSWER: Increase by 1,471 units

119) Estimate amount of profit if Sales is 10,000 units Fixed cost is Rs 50,000, Variable cost per unit is Rs 12 and selling price per unit is Rs 20.

- a. Rs 12,000 b. Rs 5,000 c. Rs 30,000 d. None of the above

ANSWER: Rs 30,000

120) The Break-even Point of a company is that level of sales income which will equal the sum of its fixed cost.

- a. True b. False

ANSWER: True

121) Determine Margin of safety if Profit is Rs 15,000 and P/V ratio is 40%.

- a. Rs 37,500 b. Rs 33,000 c. Rs 38,000 d. None of the above

Ans.37,500

122) Determine amount of profit if Variable costs is Rs 1,20,000 Fixed costs is Rs 40,000 and sales is Rs 2,00,000.

- a. Rs 30,000 b. Rs 50,000 c. Rs 12,000 d. Rs 40,000

Ans.40,000

123. What will be the amount of profit if Fixed cost is Rs 20,000 Sales is Rs 1,60,000 and P/V ratio is 25%?

- a. Rs 40,000 b. Rs 20,000 c. Rs 10,000 d. None of the above

ANSWER: Rs 20,000

124) Profit at any level of sales in units is measured as

- a. Sales (units) * Cost per unit - Fixed cost
- b. Sales (units) * Cost per unit + Fixed cost
- c. Sales (units) * Cost per unit
- d. None of the above

ANSWER: Sales (units) * Cost per unit - Fixed cost

125) Profit at any level of sales in amount is measured as

- a. Sales * P/V ratio - Variable cost
- b. Sales * P/V ratio + Fixed cost
- c. Sales * P/V ratio - Fixed cost
- d. Sales * P/V ratio + Variable cost

ANSWER: Sales * P/V ratio - Fixed cost

125) The profit at the level of existing sales is computed as

- a. Sales - (Fixed cost + Variable cost)
- b. Sales + (Fixed cost + Variable cost)
- c. Sales - Variable cost
- d. Sales - Fixed cost

ANSWER: Sales - (Fixed cost + Variable cost)

126) What will be the impact on B.E.P if variable costs are reduced?

- a. Decrease
- b. No change
- c. Increase
- d. None of the above

ANSWER: Decrease

127) What will be the impact on B.E.P if fixed cost is increased?

- a. Decrease
- b. No change
- c. Increase
- d. None of the above

ANSWER: Increase

128) Given fixed costs is Rs 1,00,000 selling price per unit is Rs 10 and variable cost per unit is Rs 6. If variable cost increase by 10%, B.E.P will

- a. Decrease by 4,214 units
- b. Increase by 4,214 units
- c. Decrease by 4,412 units
- d. Increase by 4,412 units

ANSWER: Increase by 4,412 units

129) Given fixed costs is Rs 1,00,000 selling price per unit is Rs 10 and variable cost per unit is Rs 6. If fixed cost increase by 10%, B.E.P will

- a. Decrease by 2,500 units
- b. No change
- c. Increase by 2,500 units
- d. None of the above

ANSWER: Increase by 2,500 units

130) What will be sales in units if fixed cost is Rs 50,000, Contribution per unit is Rs 60 and desired profit per unit is Rs 10.

- a. 6,000 units
- b. Rs 1,000
- c. 1,000 units
- d. Rs 6,000

ANSWER: 1,000 units

131) Determine sales in units for desired profit if Fixed cost is Rs 15,000, desired profit is Rs 5,000 Selling price per unit is Rs 20 and Variable cost per unit is Rs 16.

a. 5,000 units

b. Rs 5,000

c. Rs 10,000

d. 10,000 units

ANSWER: 5,000 units

132). In a cash flow series:

- (A) Uniform gradient signifies that an income or disbursement changes by the same amount in each interest period
- (B) Either an increase or decrease in the amount of a cash flow is called the gradient
- (C) The gradient in the cash flow may be positive or negative
- (D) All of these

Answer: Option D

133). In a cash-flow diagram:

- (A) Time 0 is considered to be the present
- (B) Time 1 is considered to be the end of time period 1
- (C) A vertical arrow pointing up indicates a positive cash flow
- (D) All of these

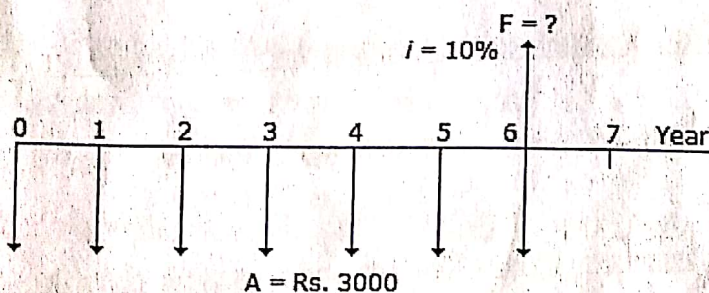
Answer: Option D

134.) Which method is adopted to develop an approximate or conceptual estimate for perimeter works for buildings from the following?

- (A) Base unit method
- (B) Cost per function method
- (C) Cost per square metre method
- (D) Cost per linear metre method

Answer: Option D

135) In the cash-flow diagram shown in the given figure

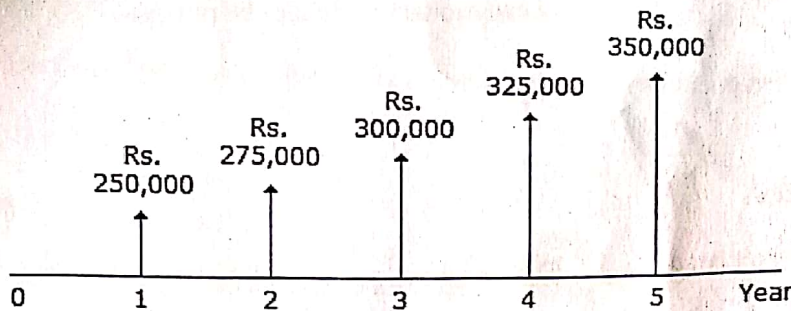


- (A) Equal deposits of Rs 3000 per year (A) are made, starting now
- (B) The rate of interest is 10% per year account
- (C) The amount accumulated after the seventh deposit is to be computed

(D) All of these

Answer: Option D

136). Refer to the cash flow diagram of uniform gradient in a cash flow (in the given figure), the gradient is:



- A) Rs. 10000 per year (B) Rs. 15000 per year C) Rs. 20000 per year D) Rs. 25000 per year

Answer: Option D

136. Pick up the correct statement from the following:

- (A) The change in the amount of money over a given time period is called 'time value' of money, a most important concept in engineering economy
(B) The manifestation of the time value of money is termed as interest
(C) Interest on borrowing = present amount owed - original loan
(D) All of these

Answer: Option D

137. Both architect and engineer make use of the cost estimate of the project:

- (A) For site selection (B) For designing of the project (C) For choosing alternatives (D) All of these

Answer: Option D

138. The interest calculated on the basis of 365 days a year, is known as:

- (A) Interest (B) Ordinary simple interest C) Exact simple interest (D) None of these

Answer: Option C

139. If a seller recovers his capital along with accumulated compensating interest not in one single lump-sum payment but in periodical equal payments, over time:

- (A) Capital Recovery Annuity is available (B) Present worth Annuity is available (C) Sinking Fund Annuity is available
(D) Sinking Fund Annuity is available

Answer: Option A

140. Pick up the correct statement from the following:

- (A) An annuity is a series of equal payments occurring at equal period of time
(B) Annuity is called an equal payment or uniform payment series

(C) An annuity may have periods of time of any length but should always be of equal length

(D) All the above

Answer: Option D

141. The sunk costs include:

(A) A past expenditure

(B) An unrecovered balance

(C) An invested capital that cannot be retrieved

(D) All of these

Answer: Option D

143. Pick up the element of the cost from the following:

(A) Direct material

(B) Direct labour

(C) Over head

(D) All of these

Answer: Option D

144. The construction estimate of a project is used by:

(A) The owner of the facility

(B) The consulting architect/engineer

(C) The contractor of the project

(D) All of these

Answer: Option D

145. Pick up the correct statement from the following:

(A) An annuity is a series of equal payments occurring at equal period of time

(B) Annuity is called an equal payment or uniform payment series

(C) An annuity may have periods of time of any length but should always be of equal length

(D) All the above

Answer: Option D

146. Pick up the element of the cost from the following:

(A) Direct material

(B) Direct labour

(C) Over head

(D) All of these

Answer: Option D

147. Pick up the correct statement from the following:

(A) A NPV profile graph shows the curvilinear relationship between the net present value of the project and discount rate employed

(B) In a NPV profile, if discount rate is zero, then net present value is simply total cash inflows less the total cash outflows of the project

(C) As the discount rate increases, the net present value profile slopes downward to the right

(D) All of these

Answer: Option D

148. If 'a' is the base amount expenditure, 'b' is the increase in the operation cost each year over a period of 'n' years, the total cost of maintenance is:

(A) $a + (n + 1) b$

(B) $a + (n - 1) b$

(C) $a \times (n - 1) b$

(D) $a - (n - 1) b$

Answer: Option B

149. Pick up the correct statement from the following:

- (A) The receipts and disbursements in a given time interval are referred to as cash flow
- (B) The assumptions that all cash flows occur at the end of the interest period, is known as the end of period convention
- (C) The cash flow diagram represents the statement of the problem and also includes what is given and what is to be found
- (D) All of the above

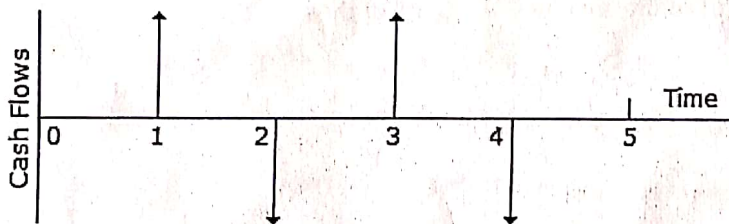
Answer: Option D

150. Pick up the correct statement from the following:

- (A) Engineering economy is a collection of mathematical techniques which simplify economic comparisons
- (B) Engineering economy is a decision assistance tool by which one method will be chosen as the most economically one
- (C) For understanding the engineering economy, one should be able to classify the basic terminology and fundamental concepts of economy
- (D) All of these

Answer: Option D

151. In the cash flow diagram shown in the given figure



- (A) The first disbursement occurs at the end of year 2
- (B) The second disbursement occurs at the end of year 4
- (C) The first receipt occurs at the end of year 1
- (D) All of these

Answer: Option D

152. Which one of the following statements is correct?

- (A) The number of years required to recover the initial cash investment in a project, is called Pay Back period (PBP)
- (B) The discount rate that equates the present value of the expected Net Cash Flows (CFs) with the Initial Cash Outflow (ICO) is known as internal rate of return
- (C) The present value of the proposal's net cash flows, less the proposal's initial cash outflow is known as the Net Present Value (NPV)
- (D) All of these

Answer: Option D

153. The wages of supervisors and material handlers are charged as:

- (A) Over head (B) Direct labour cost (C) Indirect labour cost (D) None of these

Answer: Option A

154. The annuity which refers to a debt payment for recovering the initial amount or capital in equal periodical payments, is known as;

- (A) Present Worth Annuity (B) Sinking fund annuity (C) Compound annuity (D) Capital recovery annuity

Answer: Option D

155. Annuities involve:

- (A) A series of payments (B) All payments of equal amount (C) Payment at equal time intervals
(D) All of these

Answer: Option D

156. If 'S' is the future capital accumulated in 'n' years at the rate of interest 'i' per annum, then present worth is:

- (A) $S/(1+i)^n$ (B) $S(1+i)^n$ (C) $S(1+i)^{1/n}$ (D) None of these

Answer: Option A

157. Present worth Annuity (PWA) is generally known as

- (A) Premium annuities (B) Income annuities (C) Future annuities (D) All of these

Answer: Option D