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MCA  
MGT 3001

First Semester Examination – 2007

ENGINEERING ECONOMICS AND COSTING

Full Marks – 70

Time – 3 Hours

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

Figures in the right hand margin  
indicate marks.

1. Answer the following questions : 2×10
- (a) What is present value of an annuity ?
  - (b) Define the term IRR.
  - (c) What do you mean by declining balance method of depreciation ?
  - (d) Give two important features of Process Costing.

P.T.O.

(e) What are the two differences between joint product and by-product ?

(f) Which costs are included in Cost of Goods sold ?

(g) Define 'Opportunity Cost'.

(h) How is material mix variance calculated ?

(i) What do you mean by margin of safety ?

(j) Give one example each of incremental cost and incremental revenue.

2. (a) A finance company advertises that it will pay a lumpsum of Rs. 44,650 at the end of 5 years to investors who will deposit annually Rs. 6,000 for 5 years. What is the interest rate implicit in this offer ? 5

(b) What is the present value of an income stream which provides Rs. 2,500 at the end of each year upto 5 years and Rs. 3,000 a year forever thereafter ? The discount rate is 10%. 5

3. Distinguish between by-products, main product and joint products. Which methods are followed for allocating joint costs to products ?

10

4. (a) Define Marginal Cost and Marginal Costing. How are variable costs and fixed costs treated in Marginal Costing ? 5

(b) From the following particulars calculate :

5

(i) P/V ratio

(ii) Break even point

(iii) Margin of safety

(iv) Sales required to earn a profit of Rs. 1,50,000.

**Particulars :**

Fixed cost - 1,50,000

Profit - 1,00,000

Sales - 5,00,000

5. Discuss various terms associated with Break even analysis and applications for decision making. 10

6. ✓ What do you mean by Depreciation ? What are the various methods for charging depreciation ? 10
7. ✓ (a) AXIS Bank gave a loan to TCS to purchase hardwares of worth Rs. 40,00,000 at an interest of 13% compounded annually. This amount is to be repaid in 17 yearly equal instalments. Calculate the instalment amount that the TCS has to pay to AXIS Bank. 5
- (b) How will you separate the joint product cost in process costing ? 5
8. Write short notes on any two : 5×2
- ✓ (a) Evaluation of Public Projects
- (b) Features of Standard Costing
- ✓ (c) IRR.