

GUJARAT TECHNOLOGICAL UNIVERSITY
MTM - SEMESTER-V • EXAMINATION – WINTER • 2014

Subject Code: 4250101**Date: 13-01-2015****Subject Name: Engineering Economics****Time: 10:30am to 1:30pm****Total Marks: 70****Instructions:**

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

Q.1 (a) Micro economics is often used to help engineers integrate the knowledge of economic theory with real-life practices. How is this integration accomplished? What role does this subject play in shaping decision making? How does it differ from macroeconomics? **07**

(b) Why do you think an engineer should have good knowledge of Economics along with other subjects? Explain the nature and scope of Engineering Economics. **07**

Q.2 (a) Distinguish between a movement along a demand curve and, shift in a demand curve. Explain why, do demand curves slope downwards and supply curves slope upwards. **07**

(b) With the help of a circular flow diagram explain how participants in an economy interact with one another. **07**

OR

(b) Distinguish between average and marginal costs. From the following information find out TFC, TVC, AVC, ATC and MC. **07**

Units (output)	:	0	1	2	3	4	5	6
Total cost	:	10	30	48	65	81	95	111

Q.3 (a) Define economies of scale and explain why they might arise. Define diseconomies of scale and explain why they might arise. **07**

(b) How is the break even analysis a vital tool for managerial decision making. Elucidate with any suitable example **07**

OR

Q.3 (a) Differentiate between accounting cost, sunk cost and opportunity cost. Why opportunity cost principle widely used in economics? **07**

(b) Explain Increasing returns to scale, constant returns to scale and decreasing returns to scale with suitable examples. **07**

Q.4 (a) Who is a monopolist? What are the features of a monopolist? **07**

(b) What are the characteristics of a firm in a perfectly competitive market? Do firms in perfectly competitive markets really exist or not? **07**

OR

Q.4 (a) Define and explain features of an oligopoly market. **07**

- (b) Among monopoly, oligopoly, monopolistic competition, and perfect competition, how would you classify the markets for each of the following? Explain with reasons. **07**
- 1) Indigo airlines in India
 - 2) Coca-cola in India
 - 3) Packaged Tea market of India
 - 4) Tap water supplied in Ahmedabad Municipal Corporation
 - 5) Vegetable market

- Q.5** (a) What is Gross Domestic Product? What does it indicate? How does it differ from Gross National Product? **07**
- (b) What is Cash Reserve Ratio? Explain multiple credit creation by Rs.10,000 deposited (primary deposit) in a commercial bank with 10% CRR. **07**

OR

- Q.5** (a) What is inflation? Explain in detail various measures which can control inflation **07**
- (b) Explain the main function of the Central bank (RBI) **07**
