

**DEPARTMENT OF COMPUTER SCIENCE & ENGG.**

**MG2452 - ENGINEERING ECONOMICS AND FINANCIAL ACCOUNTING**

**1. Define Managerial economics.**

Managerial economics defined by BRIGHAM AND PAPPA, “ the application of economic theory and methodology to business administration practice.

**2. What are the features of Economics?**

Unlimited wants  
Scarce resources  
Alternative uses  
Making choice

**3. Give the meaning of Engineering Economics.**

It deals with the concepts and techniques of analysis useful in evaluating the worth of system , products and services in relation to their costs .The essential pre requisite of successful engineering application is to get the greatest result per unit of resource input.

**4. What is Demand**

Every want supported by the willingness to buy and ability to buy.

**5. State the types of demand.**

Price demand  
Income demand  
Cross demand

**6. Give the meaning of law of Demand.**

Other things remaining the same the amount of quantity demanded rises with every fall in the price and vice versa. It state that the relationship between price and demand of a particular product or service.

**7. What is Elasticity of demand?**

The term elasticity is defined as the rate of responsiveness in the demand of commodity for a given change in price or any other determinants of demand .

**8. Mention two important features of price elasticity**

Proportionate changes in the quantity demand for product  
Propotinate change in the in the price of another product. .

**9. Give the meaning of fixed cost and variable cost**

Fixed cost is not varied according to the level of productivity, but the variable cost differ depends upon the level of productivity..

**10. What is elasticity of demand?**

The rate of responsiveness in the demand of a commodity for a given changes in prices or any other determinants of demand.

**11. What do you mean by marginal utility?**

Additional productivity of additional demand is known as marginal utility.

**12. State any two types of Elasticity.**

Price elasticity.  
Income elasticity  
Cross elasticity  
Advertising elasticity of demand.

**13. What is meant by price elasticity?**

Quantity demanded of a commodity in response to a given change in price.

**14. What do you mean by cross elasticity of demand?**

Cross elasticity of demand refers to the quantity demanded of a commodity in response to a change in the price of a related goods, which may be substitute or complementary.

**15. Find out variable cost . Fixed cost =Rs. 50 ,Total cost =Rs 150**

Variable cost = Totalcost -fixed cost  
 $150 - 50 = 100$

**16. Give the meaning of consumer surplus.**

It is the difference between what the consumer is prepared to pay and what he actually pays when he is buying any commodity

**17. Give the meaning of consumer equilibrium. When he maximize his utility with in the given constraint budget..**

**18. What is indifference curve?**

A curve which reveals certain combination of goods and services that yield a consumer the same utility

**19. Mention any 4 assumptions of Law of diminishing marginal utility**

Nature of product or service

Size of the business

Quality of the sweets

Zero time intervals

**20. Define market demand.**

Market demand for a particular product is the total volume that would be bought by a defined customer group in a marked geographical area in a certain marketing programming.

**21. Mention the methods of demand forecasting.**

Survey methods

Statistical methods

Expert opinion method

Test marketing

Controlled experiments

Judgmental approach

**22. What do you mean by Income elasticity of demand?**

Income elasticity of demand refers to the quantity demanded of a commodity in response to a given change of the consumer

**23. What are the types of elasticity?**

Perfect elasticity

Perfectly in elasticity

Unit elasticity

Relatively elastic supply

Relatively in elasticity supply

**24. What is production function?**

Production function is defined at a given stage of technical knowledge. It means that if there is any technological breakthrough there could be further jump in the volume of production for a given set up of inputs.

**25. What is Isoquants?**

Iso means equal. Quant means quantity, Isoquant means that quantities throughout the given isoquant are equal. It is otherwise called as isoproduct curves.

**26. What are the characters of Isoquants?**

Downward sloping

Convex to origin

Do not intersect

Does not touch axes

**27. Give the meaning of Isocosts.**

This curves represent the combination of inputs that will cost a producer the same amount of money.

**28. What is the rule of COBB-DOUGLAS function?**

$P = bL^a C^{1-a}$

Where P is the total output

L is the index of employment of labour in manufacturing

C = index of fixed capital in manufacturing.

**29. Define long run curve**

It defined as a period of adequate length in which a company may alter all factors of a production with a high degree of flexibility. It covers the cost of changes in the size and kind of plant.

**30. What is demand forecasting?**

The results of demand forecasting guide the entrepreneurs to set up their business.

**31. What is increase and decrease in demand?**

Increase demand means need of particular commodity is richer than the existing productivity due to the heavy demand of the product or service. Decrease in demand is lower than that of existing demand.

**32. What is demand schedule?**

Systematic arrangement of demand is demand schedule.

**33. What is decision making?**

Choosing from the various alternatives, which can able to use and give the better results.

**34. What is sunk costs?**

Sunk costs are those that have already been committed or spent in the past They do not any more affect the current production. The cost of storing in the case of a firm having unused warehouse space other wise stand empty is the sunk costs.

**35. Mention the characteristics of perfect competition.**

- A large number of buyers and sellers.
- Homogeneous products or services.
- Freedom to enter or exit the market
- Perfect mobility of factors of production.
- Each firm is a price taker.

**36. What is monopoly?**

Monopoly refers to a situation where a single firm is in a position to control either supply or price of a particular product or service..

**37. Mention the causes of monopoly.**

Government policies and legal provisions.  
Mergers and acquisitions  
Research and development  
Control over key inputs.

**38. Explain advertising elasticity of demand .**

**39. Define oligopoly.**

It is the form of organization in the market where there are few sellers of a homogeneous or differentiated product or services.

**40. What collusions ?**

To protect the business interest at large,oligopoly firms may have a tacit collusion among themselves to fix prices and quotas for each of them.

**41. Define MNC.**

Multinational company, the company which render its services to various countries where the demand of the particular product or services needed by the company

**42. What is the strategy used in stiff competition?**

Price Matching  
Promoting Brand Loyalty  
Time To Time Pricing  
Promotional Pricing  
Target Pricing

**43. What is pricing policy?**

Pricing policies are intended to bring consistency in the pricing pattern,they define how to handle complex issues such as price discrimination

**44. What are the methods of pricing ?**

Cost-based pricing  
Competition based pricing  
Demand based pricing  
Strategy based pricing.

**45. Give the meaning of demand curve.**

**46. What is meant by skimming pricing?**

It refers to the practice of offering products at the highest possible price which has only creamy layer of customer can offered.

**47. What are the types of decision making?**

Personal and organizational decisions  
Basic and routine decisison  
Programmed and non-programming decision

**.48.Brainstorming-meaning.**

It is a technique used to generate as many ideas as possible from a group of people on a selected problem.

**49. State the meaning of Synectics**

The main idea for syne tics is to stimulate novel and even bizarre alternatives through the joining together of distinct and apparently irrelevant ideas..

**50. What is meant by opportunity cost?**

It refers to the value that must be foregone in using a resource for one specific purpose or in undertaking one specific activity. .

**51. What is Accounting?**

Accounting is an art of recording classifying and summarizing in a significant manner and in terms of money and equallent thereof, in part atleast, of a financial character interpreting the results.

**52. What are the fundamental principles of Accounting?**

Personal Account

DEBIT THE RECEIVER AND CRDIT THE GIVER.

Real Account

DEBIT WHAT COMES IN AND CREDIT WHAT GOES OUT.

Nominal Account

DEBIT ALL THE EXPENSES AND LOSSES AND CRDIT ALL INCOMES AND GAINS.

**53. State any three concepts of accounting**

Business entity concept

Going concern oncept

Dual aspect concept

Money measurement concept

Accounting period concept.

**54. Who are the users of accounting?**

Owners

Creditors

Managers

Government

Tax authorities

Employees.

**55.What is current asset?**

These are expected to be realized in cash or near cash with in shorter period of 12 months and which can used for business operation Example, cash, stock, Bills receivables, etc.,

**56What is current liabilities?**

What the firm has to pay legally, they are called liabilities, when it can be mature d with in an year is called current liabilities

**57. What is journal?**

Journal is the first record in which transactions are recorded in a chronological order the moment they mtake place in the business.

**58 What is accounting cycle?**

It covers all the important stages in accounting, which includes preparing journal, ledger subsidiary books, trial balance and final account.

**59. What is Ledger?**

The process of preparation of accounts from the journal into ledger, it consists of several books.

**60. What do you mean by journal proper?**

When a transaction enter in a subsidiary books are known as journal proper, for example,

Opening entries, closing entries, adjustment entries, transfer entries etc.,

**61. What is trial balance?** Trial balance is a statement containing debit and credit balances of various accounts taken out from ledger books as on a particular date.

**62.What is meant by profit and loss account?**

It shows the net profit or net loss of an operation at the end of the financial period ended.It consider only the revenue income and expenditure items.

**63. What is Balance sheet?**

It presents the true and fair view of the financial position of the business.in a given date and it shows the position of total assests and its total liabilities.

What are the techniques of financial analysis?

Ratio analysis

Fundflow and cash flow

Commonsize statement

Comparative statement.

**64. What is ratio?**

Ratios are expressed in terms of numerical aspects, in the format of percentages, proportions and quotients.

**65. Define Funds.**

Funds means working capital or net working capital, generally which means cash which is used for operation of the business.

**66. What is meant by cash flow statement?**

A statement of changes in cash flows that explains the various sources of cash get into the business and go out by the business during a given period.

**67. What are the methods of capital budgeting ?**

Traditional Methods

Payback period

Accounting rate of return.(or)

Average rate of return

Discounted cash flow method.

Internal rate of return

Net present value method.

**68. What is meant by pay back method.**

Payback method is based on the period of investment result, of an investment which can give the shortest duration of beneficiary that can be chosen by the capital budgeting decision.

**69. What is meant by NPV?**

NPV means net present value of any investment.,It is the difference of present value of the future cash inflows and the original investment.

**70. Give the significance of capital budgeting?**

They involve substantial capital outlay

They affect the future of the business.