Reg. No.										

MANIPAL INSTITUTE OF TECHNOLOGY
MANIPAL

V SEMESTER B.TECH. (COMMON TO ALL)

END SEMESTER EXAMINATIONS- DEC 2021(PROCTORED ONLINE EXAMINATION)

SUBJECT: ENGINEERING ECONOMICS AND FINANCIAL MANAGEMENT [HUM 3051]

REVISED CREDIT SYSTEM

Time: 75 minutes MAX. MARKS: 20

Instructions to Candidates:

- Answer **ALL** the questions.
- Missing data may be suitably assumed.
- Interest factor table is provided in the last page **(else use formulae).**

1A. Selected Financial information related to ABC Pvt. Ltd. are presented below: **(04)**

In Rupees (Rs.)	**2021**	**2022**
Sales	69,000	43,000
Cost of Goods Sold	57,000	32,500
Debtors	7,200	3,000
Inventories	11,400	5,500
Cash	1,500	800
Other Current Assets	4,000	2,700
Current Liabilities	16,000	11,000

You are required to compute the Current ratio, Quick ratio, Average debt collection period and Inventory Turnover ratio for the year 2022. At the beginning of year 2021, the company had debtors of Rs. 2,500 and inventories of Rs. 3,000.

1B. ABC Ltd. expects the cost of a machine to produce a specific part to be Rs. 40,00,000. After 5-year useful life, the machine is expected to have a salvage value of Rs.8,00,000. The annual maintenance costs are believed to be Rs. 14,00,000. How many parts must the company sell per year to break even at 12% annual interest rate, if the variable cost of producing the part is Rs. 150 per unit and if the part can be sold for Rs. 400 per unit? What will be the breakeven sales, if the selling price of the part is reduced to Rs. 300 per unit to counter act with the competitor? **(03)**

1C. How much money was deposited 35 years ago, at an interest rate of 6% per year, if it is sufficient to provide a perpetual income of $10,000 per year starting from year 35 (First payment made at the end of year 35)? **(03)**

2A. Macintosh Printing, Inc., purchased a $20,000 printing machine two years ago. The company expected this machine to have a seven-year life and a salvage value of $5,000. The company spent $5,000 last year on repairs, and current operating costs are running at the rate of $8,000 per year. Furthermore, the anticipated salvage value of the machine has been reduced to $2,500 at the end of its useful life. In addition, the company has found that the machine has a current market value of $10,000. **(04)**

A sales person offers a new printing machine for $18,000 with a useful life of 5 years. This new printer has no salvage value. The maintenance expenses of the new printer is $6,000 annually. The company's MARR is 12%.

a) Using Insider's point of view, analyze if the replacement needs to be made.
b) If the useful life of the new machine is 6 years, conduct the replacement analysis. Has the decision changed from the previous scenario? Justify.

2B. A company is planning expansion of its facility after five years. It anticipates that $500,000 would be needed five years hence to purchase land and construct factory building and $250,000 in the following year to purchase necessary machines. To meet these expenses, the company is planning to set aside an equal amount every quarter from its profits for the next five years**.** Determine the amount the company must save, if the interest rates during the first three years is 12 % per year compounded quarterly, 12 % per year compounded monthly during the next two years and 12 % per year compounded semi-annually during the last one year. **(03)**

2C. A high-technology facilities manager, presented three different plans for running a small weapons production facility. Plan X would entail renewable one-year contract with one-million-dollar payments at the beginning of each year. Plan Y would be a two-year contract with four $600,000 payments, the first of which would be made now and the other three at 6-month intervals. Plan Z would be a three-year contract with a $1.5 million payment now and another $0.5 million payment two years from now. Assuming that the manager could renew any of the plans under the same conditions, which plan is better on the basis of a Present Worth analysis at an interest rate of 6% per year, compounded semi-annually? **(03)**

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Interest factor table for 6%

6%	Compound Interest Factors								6%
	Single Payment		Uniform Payment Series				Arithmetic Gradient		
n	Compound Amount Factor Find F Given P F/P	Present Worth Factor Find P Given F P/F	Sinking Fund Factor Find A Given F A/F	Capital Recovery Factor Find A Given P A/P	Compound Amount Factor Find F Given A F/A	Present Worth Factor Find P Given A P/A	Gradient Uniform Series Find A Given G A/G	Gradient Present Worth Find P Given G P/G	n
1	1.060	.9434	1.0000	1.0600	1.000	0.943	0	0	1
2	1.124	.8900	.4854	.5454	2.060	1.833	0.485	0.890	2
3	1.191	.8396	.3141	.3741	3.184	2.673	0.961	2.569	3
4	1.262	.7921	.2286	.2886	4.375	3.465	1.427	4.945	4
5	1.338	.7473	.1774	.2374	5.637	4.212	1.884	7.934	5
6	1.419	.7050	.1434	.2034	6.975	4.917	2.330	11.459	6
7	1.504	.6651	.1191	.1791	8.394	5.582	2.768	15.450	7
8	1.594	.6274	.1010	.1610	9.897	6.210	3.195	19.841	8
9	1.689	.5919	.0870	.1470	11.491	6.802	3.613	24.577	9
10	1.791	.5584	.0759	.1359	13.181	7.360	4.022	29.602	10
11	1.898	.5268	.0668	.1268	14.972	7.887	4.421	34.870	11
12	2.012	.4970	.0593	.1193	16.870	8.384	4.811	40.337	12
13	2.133	.4688	.0530	.1130	18.882	8.853	5.192	45.963	13
14	2.261	.4423	.0476	.1076	21.015	9.295	5.564	51.713	14
15	2.397	.4173	.0430	.1030	23.276	9.712	5.926	57.554	15
16	2.540	.3936	.0390	.0990	25.672	10.106	6.279	63.459	16
17	2.693	.3714	.0354	.0954	28.213	10.477	6.624	69.401	17
18	2.854	.3503	.0324	.0924	30.906	10.828	6.960	75.357	18
19	3.026	.3305	.0296	.0896	33.760	11.158	7.287	81.306	19
20	3.207	.3118	.0272	.0872	36.786	11.470	7.605	87.230	20
21	3.400	.2942	.0250	.0850	39.993	11.764	7.915	93.113	21
22	3.604	.2775	.0230	.0830	43.392	12.042	8.217	98.941	22
23	3.820	.2618	.0213	.0813	46.996	12.303	8.510	104.700	23
24	4.049	.2470	.0197	.0797	50.815	12.550	8.795	110.381	24
25	4.292	.2330	.0182	.0782	54.864	12.783	9.072	115.973	25
26	4.549	.2198	.0169	.0769	59.156	13.003	9.341	121.468	26
27	4.822	.2074	.0157	.0757	63.706	13.211	9.603	126.860	27
28	5.112	.1956	.0146	.0746	68.528	13.406	9.857	132.142	28
29	5.418	.1846	.0136	.0736	73.640	13.591	10.103	137.309	29
30	5.743	.1741	.0126	.0726	79.058	13.765	10.342	142.359	30
31	6.088	.1643	.0118	.0718	84.801	13.929	10.574	147.286	31
32	6.453	.1550	.0110	.0710	90.890	14.084	10.799	152.090	32
33	6.841	.1462	.0103	.0703	97.343	14.230	11.017	156.768	33
34	7.251	.1379	.00960	.0696	104.184	14.368	11.228	161.319	34
35	7.686	.1301	.00897	.0690	111.435	14.498	11.432	165.743	35
40	10.286	.0972	.00646	.0665	154.762	15.046	12.359	185.957	40
45	13.765	.0727	.00470	.0647	212.743	15.456	13.141	203.109	45
50	18.420	.0543	.00344	.0634	290.335	15.762	13.796	217.457	50
55	24.650	.0406	.00254	.0625	394.171	15.991	14.341	229.322	55
60	32.988	.0303	.00188	.0619	533.126	16.161	14.791	239.043	60
65	44.145	.0227	.00139	.0614	719.080	16.289	15.160	246.945	65
70	59.076	.0169	.00103	.0610	967.928	16.385	15.461	253.327	70
75	79.057	.0126	.00077	.0608	1 300.9	16.456	15.706	258.453	75
80	105.796	.00945	.00057	.0606	1 746.6	16.509	15.903	262.549	80
85	141.578	.00706	.00043	.0604	2 343.0	16.549	16.062	265.810	85

Interest factor table for 12%

12%	Compound Interest Factors								12%
	Single Payment		Uniform Payment Series				Arithmetic Gradient		
n	Compound Amount Factor Find F Given P F/P	Present Worth Factor Find P Given F P/F	Sinking Fund Factor Find A Given F A/F	Capital Recovery Factor Find A Given P A/P	Compound Amount Factor Find F Given A F/A	Present Worth Factor Find P Given A P/A	Gradient Uniform Series Find A Given G A/G	Gradient Present Worth Find P Given G P/G	n
1	1.120	.8929	1.0000	1.1200	1.000	0.893	0	0	1
2	1.254	.7972	.4717	.5917	2.120	1.690	0.472	0.797	2
3	1.405	.7118	.2963	.4163	3.374	2.402	0.925	2.221	3
4	1.574	.6355	.2092	.3292	4.779	3.037	1.359	4.127	4
5	1.762	.5674	.1574	.2774	6.353	3.605	1.775	6.397	5
6	1.974	.5066	.1232	.2432	8.115	4.111	2.172	8.930	6
7	2.211	.4523	.0991	.2191	10.089	4.564	2.551	11.644	7
8	2.476	.4039	.0813	.2013	12.300	4.968	2.913	14.471	8
9	2.773	.3606	.0677	.1877	14.776	5.328	3.257	17.356	9
10	3.106	.3220	.0570	.1770	17.549	5.650	3.585	20.254	10
11	3.479	.2875	.0484	.1684	20.655	5.938	3.895	23.129	11
12	3.896	.2567	.0414	.1614	24.133	6.194	4.190	25.952	12
13	4.363	.2292	.0357	.1557	28.029	6.424	4.468	28.702	13
14	4.887	.2046	.0309	.1509	32.393	6.628	4.732	31.362	14
15	5.474	.1827	.0268	.1468	37.280	6.811	4.980	33.920	15
16	6.130	.1631	.0234	.1434	42.753	6.974	5.215	36.367	16
17	6.866	.1456	.0205	.1405	48.884	7.120	5.435	38.697	17
18	7.690	.1300	.0179	.1379	55.750	7.250	5.643	40.908	18
19	8.613	.1161	.0158	.1358	63.440	7.366	5.838	42.998	19
20	9.646	.1037	.0139	.1339	72.052	7.469	6.020	44.968	20
21	10.804	.0926	.0122	.1322	81.699	7.562	6.191	46.819	21
22	12.100	.0826	.0108	.1308	92.503	7.645	6.351	48.554	22
23	13.552	.0738	.00956	.1296	104.603	7.718	6.501	50.178	23
24	15.179	.0659	.00846	.1285	118.155	7.784	6.641	51.693	24
25	17.000	.0588	.00750	.1275	133.334	7.843	6.771	53.105	25
26	19.040	.0525	.00665	.1267	150.334	7.896	6.892	54.418	26
27	21.325	.0469	.00590	.1259	169.374	7.943	7.005	55.637	27
28	23.884	.0419	.00524	.1252	190.699	7.984	7.110	56.767	28
29	26.750	.0374	.00466	.1247	214.583	8.022	7.207	57.814	29
30	29.960	.0334	.00414	.1241	241.333	8.055	7.297	58.782	30
31	33.555	.0298	.00369	.1237	271.293	8.085	7.381	59.676	31
32	37.582	.0266	.00328	.1233	304.848	8.112	7.459	60.501	32
33	42.092	.0238	.00292	.1229	342.429	8.135	7.530	61.261	33
34	47.143	.0212	.00260	.1226	384.521	8.157	7.596	61.961	34
35	52.800	.0189	.00232	.1223	431.663	8.176	7.658	62.605	35
40	93.051	.0107	.00130	.1213	767.091	8.244	7.899	65.116	40
45	163.988	.00610	.00074	.1207	1 358.2	8.283	8.057	66.734	45
50	289.002	.00346	.00042	.1204	2 400.0	8.304	8.160	67.762	50
55	509.321	.00196	.00024	.1202	4 236.0	8.317	8.225	68.408	55
60	897.597	.00111	.00013	.1201	7 471.6	8.324	8.266	68.810	60
65	1 581.9	.00063	.00008	.1201	13 173.9	8.328	8.292	69.058	65
70	2 787.8	.00036	.00004	.1200	23 223.3	8.330	8.308	69.210	70
75	4 913.1	.00020	.00002	.1200	40 933.8	8.332	8.318	69.303	75
80	8 658.5	.00012	.00001	.1200	72 145.7	8.332	8.324	69.359	80
85	15 259.2	.00007	.00001	.1200	127 151.7	8.333	8.328	69.393	85
90	26 891.9	.00004		.1200	224 091.1	8.333	8.330	69.414	90
95	47 392.8	.00002		.1200	394 931.4	8.333	8.331	69.426	95
100	83 522.3	.00001		.1200	696 010.5	8.333	8.332	69.434	100