



- Notes :
1. All questions carry marks as indicated.
  2. Solve Question 1 OR Questions No. 2.
  3. Solve Question 3 OR Questions No. 4.
  4. Solve Question 5 OR Questions No. 6.
  5. Solve Question 7 OR Questions No. 8.
  6. Solve Question 9 OR Questions No. 10.
  7. Solve Question 11 OR Questions No. 12.
  8. Due credit will be given to neatness and adequate dimensions.
  9. Assume suitable data whenever necessary.
  10. Diagrams and chemical equations should be given whenever necessary.
  11. Illustrate your answers whenever necessary with the help of neat sketches.

1. a) Explain the following : 3
- i) Discounted cash flow.
- ii) Time value of money. 4
- b) A company is planning to expand its present business activity. It has two alternative plans for the expansion programme and corresponding cash flows are tabulated below. Each alternative has a life of 5 years and a negligible salvage value. The minimum attractive rate of return for the company is 12% suggest the best alternative to the company. 6

	Initial Investment	Yearly Revenue
Alternative 1	₹ 5,00,000	₹ 1,70,000
Alternative 2	₹ 8,00,000	₹ 2,70,000

**OR**

2. a) Explain the importance of construction and infrastructure in economic development and growth of India? 7
- b) Consider the following cash flow of a project. 6

Year	0	1	2	3	4	5
Cash flow	10,000	4,000	4,500	5,000	5,500	6,000

Find the rate of return of the project.

3. a) What do you understand by Turnkey construction projects ? Discuss its nature and importance. 7

- b) A company has two alternatives for satisfying its daily travel requirements of its employees for the next five years : 6  
Alternative 1 : Renting a vehicle at a cost of ₹ 10,00,000 per year.  
Alternative 2 : Buying a vehicle for ₹ 5,00,000 with an operating and maintenance cost of ₹ 3,50,000 per year. The salvage value of the vehicle after five years is ₹ 1,00,000  
 Select the best alternative based on the present worth method of comparison using the interest of 8% compound annually.

**OR**

4. a) Explain the merits and demerits of division of labour in the construction industry ? 7  
 b) Find the net present worth of the following cash flow series Assume  $i = 15\%$  compounded annually. 6

End of Year	0	1	2	3	4	5
Cash flow (₹)	10,000	30,000	30,000	30,000	30,000	30,000

5. a) Distinguish between Oligopoly and monopoly market structure with reference to construction industry. 7  
 b) What is inflation state it's impact. 7

**OR**

6. a) Write explanatory notes on recession and stagflation. 7  
 b) Explain the features of monopolistic competitive market structure. 7
7. a) Explain the sources of finance to the construction companies. 7  
 b) Assess the need of FDI in infrastructure development of India. 6

**OR**

8. a) What do you understand by project cash flow ? Explain in details. 7  
 b) What is technical & marketing feasibility study. 6
9. a) Consider the following data : 7  
 Current Assets ₹ 10,00,000  
 Current liabilities ₹ 7,00,000  
 Stocks (inventories) ₹ 4,00,000  
 Calculate current ratio and acid test ratios using above data.
- b) Discuss the affordable housing schemes of government of India with their special features. 6

**OR**

10. a) Consider the following data : 7

<u>Items</u>	<u>₹</u>
Net Sales	12,00,000
Fixed assets	10,00,000
Inventory	3,00,000
Net worth	8,00,000

Calculate (I) Net sales to net profit (II) operating ratios (III) Net sales to fixed assets.

b) Explain the elements of balance sheet in the context of construction industry with the help of a specimen. 6

11. a) What do you understand by working capital ? Discuss the factors which influence working capital. 7

b) Projected profit and loss account of ABC company. 7

<u>Particulars</u>	<u>₹ In lacs.</u>
Sales	21.00
<u>Cost of production</u>	
Raw material	12.00
Wages	3.00
Other production overheads	1.80
Depreciation	1.20
	<u>18.00</u>
Gross profit	3.00
Administration & selling overhead	1.80
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Net profit	1.20
Stock holding period and credit period	2 months
Raw material	0.5 months
WIP (Work in progress)	1 month
Credit allowed to Debtor	2 month
Credit enjoyed from supplier	1.5 month

Calculate working capital requirement.

**OR**

12. a) What is capital structure ? Discuss the relevance of capital structure planning. 7

b) Explain short term and long term financing. 7

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B.E. Eighth Semester (Civil Engineering) (C.B.S.)  
**Construction Economics & Finance**

P. Pages : 2

Time : Three Hours



KNT/KW/16/7547

Max. Marks : 80

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  7. Solve Question 11 OR Questions No. 12.
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  9. Illustrate your answers whenever necessary with the help of neat sketches.
  10. Use of non programmable calculator is permitted.
  11. Interest tables are allowed.

1. a) Explain the significance of construction industry in economic growth of the country. 7
- b) M/S Elecon Engineering Company wants to diversity its business into new product line. The life of the project is 10 years having no salvage value. The initial investment of the new project is Rs. 25,000. Calculate. The net annual rate of return for the new business. 6

**OR**

2. a) Describe why construction industry is called a key industry of India. 7
- b) Explain what are the various factors of production used in construction industry. 6
3. a) M/S Neco group of industries is planning a new project. The initial outlay and cash flow pattern for the new project are listed below. The expected life of the project is five years. Find the rate of return for the new business. 6

Period →	0	1	2	3	4	5
Cash flow (₹)	1,50,000	40,000	40,000	40,000	40,000	40,000.

- b) Explain the various stages involved in turn key projects. 7
- OR**
4. a) A finance company advertises two investment plans. In plan a the company pays Rs. 12,000 after 15 years for every Rs. 1000 invested now. In plan b company pays Rs. 4,000 after 10 years. For every Rs. 1000 invested now. Select the best alternative plan from investors point of view using present worth method at  $i = 12\%$  compounded annually. 7
- b) What is monopoly? State the various types of monopoly. 7
5. a) what is oligopoly state the various characteristics of oligopoly. 7

- b) What is inflation? Describe the various monetary measures to control inflation. 6

**OR**

6. a) Explain the various characteristics of monopolistic market structure. 7

- b) Explain the importance of Foreign Direct investment (F.D.I) for economic growth of the country. 6

7. a) Project A having a total cost of Rs. 2,00,000. and project B having a total cost of Rs. 4,00,000. both have expected life span of 10 years. Uniform cash inflow is expected to be like for project A Rs. 40,000 Per/annum. and for project B Rs. 80,000 Per/annum. Salvage value expected are for A Rs. 1,40,000 declining at an annual rate of Rs. 20,000 and B Rs. 1,60,000 declining at an annual rate of Rs. 40,000. Select the project which is most economically viable. 6

- b) Explain what is credit Information Bureau of India Ltd. (CIBIL) State its significance. 7

**OR**

8. a) Explain what is working capital management state the important elements of it. 7

- b) Explain what is cost structure. 6

9. a) Explain what are the various sources of financing the company. 7

- b) Describe affordable housing project launched by govt of India. 6

**OR**

10. a) Explain what is cost of capital. 7

- b) Explain short-term & long term financing for business. 6

11. a) Explain what is cash flow. State its importance for the survival of the company. 7

- b) Describe the various factors which influences the working capital. 6

**OR**

12. a) What is recession how it impacts the economy as a whole. 7

- b) What is stagflation. Describe the stagflation scenario. 6

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1. a) What is the importance of construction industry for economic development of country. **7**
- b) Explain backward and forward linkages of construction industry. **6**

**OR**

2. a) Explain Discounted cash flow and time value of money. **7**
- b) What do you understand by turn-key projects state the various steps involved in turn-key projects. **6**

3. a) M/S Elecon Engineering company is planning to expand its business activities. It has two alternative plans for the expansion programme and corresponding cash flows tabulated below. Each alternative has a life of 5 years and negligible salvage value. The minimum attractive rate of return for the company is 12%. Suggest the best alternative plan to the company. **7**

	Initial investment	Yearly Revenue
Alternative 1	Rs. 6,00,000	Rs. 1,60,000
Alternative 2	Rs. 8,00,000	Rs. 2,80,000

- b) Explain various factors of production and their relative characteristics. **6**

**OR**

4. a) Explain the various advantages of division of labour. **7**
- b) Explain what is foreign direct investment (FDI) state its importance for economic development. **6**

5. a) Consider the following cash flow of a project. **7**

Year -	0	1	2	3	4	5
Cash flow -	10,000	5,000	6,000	5,000	6,000	5,500

Find the rate of return of the project.

- b) Explain various laws of returns to the scale. **7**

**OR**

- 6. a) What is oligopoly state its various characteristics. 7
- b) What is monopoly state various types of monopoly. 7
- 7. a) What is inflation state monetary measures to control it. 7
- b) What is recession state its impact on economy. 6

**OR**

- 8. a) Find out the present worth of the following cash flows series assume  $i = 15\%$  compounded annually. 7

End of years	0	1	2	3	4	5
Cash Flow series	10,000	30,000	25,000	30,000	30,000	30,000

- b) Explain how foreign capital can help achieve economic development of the country. 6
- 9. a) Explain various sources of financing the business. 7
- b) Explain the components of balance sheet. 6

**OR**

- 10. a) What is working capital How it is managed. 7
- b) Explain the features of monopolistic competition. 6
- 11. a) Consider the following data 7

<u>Items</u>	<u>Rs.</u>
Net Sales	12,00,000
Fixed assets	10,00,000
Inventory	3,00,000
Net worth	8,00,000

Calculate

- 1) Net sales to net profit
- 2) Operating ratios
- 3) Net sales to fixed assets

- b) What is CIBIL state its importance. 7

**OR**

- 12. a) What is technical, marketing and financial viability of a project. 7
- b) Explain the various steps involved in a construction project of a real estate. 7

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