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ENGINEERING ECONOMICS Multiple Choice Questions :-

1. First Benchmark Publishing's gross margin is 50% of sales. The operating costs of the publishing are estimated at 15% of sales. If the company is within the 40% tax bracket, determine the percent of sales is their profit after taxes?

- A. 21 %
- B. 20 %
- C. 19 %
- D. 18 %

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2. A farmer selling eggs at 50 pesos a dozen gains 20%. If he sells the eggs at the same price after the costs of the eggs rises by 12.5%, how much will be his new gain in percent?

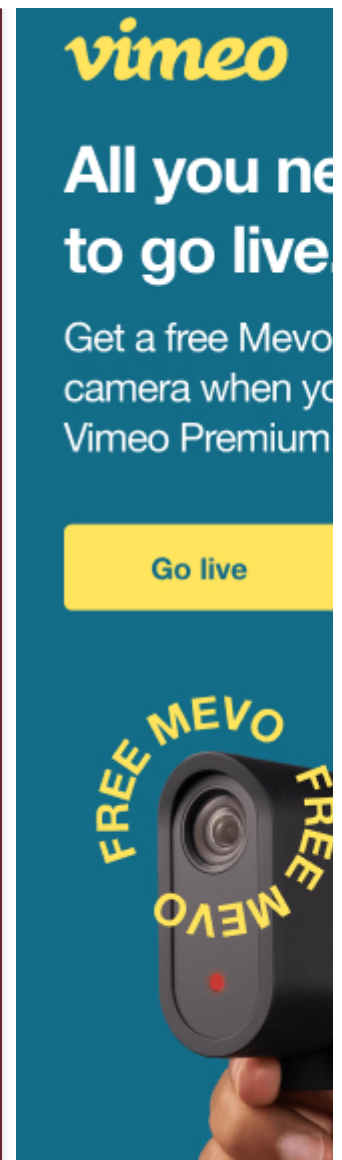
- A. 6.89 %
- B. 6.65 %**
- C. 6.58 %
- D. 6.12 %

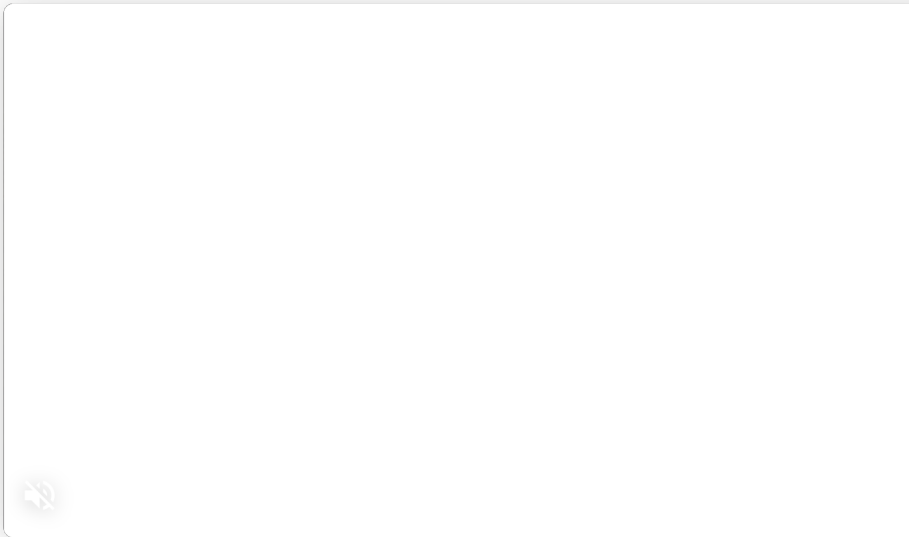
3. A feasibility study shows that a fixed capital investment of P10,000,000 is required for a proposed construction firm and an estimated working capital of P2,000,000. Annual depreciation is estimated to be 10% of the fixed capital investment. Determine the rate of return on the total investment if the annual profit is P3,500,000.

- A. 28.33 %
- B. 29.17 %**
- C. 30.12 %
- D. 30.78 %

4. The monthly demand for ice cans being manufactured by Mr. Camus is 3200 pieces. With a manual operated guillotine, the unit cutting cost is P25.00. An electrically operated hydraulic guillotine was offered to Mr. Camus at a price of P275,000.00 and which cuts by 30% the unit cutting cost. Disregarding the cost of money, how many months will Mr. Camus be able to recover the cost of the machine if he decides to buy now?

- A. 10 months
- B. 11 months
- C. 12 months**
- D. 13 months





5. Engr. Trinidad loans from a loan firm an amount of P100,000 with a rate of simple interest of 20% but the interest was deducted from the loan at the time the money was borrowed. If at the end of one year, she has to pay the full amount of P100,000, what is the actual rate of interest?

- A. 23.5 %
- B. 24.7 %
- C. 25.0 %
- D. 25.8 %

6. A loan of P5,000 is made for a period of 15 months, at a simple interest rate of 15%, what future amount is due at the end of the loan period?

- A. 5,937.50
- B. 5,873.20
- C. 5,712.40
- D. 5,690.12

7. Mr. Bacani borrowed money from the bank. He received from the bank P1,842 and promised to repay P2,000 at the end of 10 months. Determine the rate of simple interest.

- A. 12.19 %
- B. 12.03 %
- C. 11.54 %
- D. 10.29 %

8. A college freshman borrowed P2,000 from a bank for his tuition fee and promised to pay the amount for one year. He received only the amount of P1,920 after the bank collected the advance interest of P80.00. What was the rate of discount?

- A. 3.67 %
- B. 4.00 %
- C. 4.15 %
- D. 4.25 %

9. It is the practice of almost all banks in the Philippines that when they grant a loan, the interest for one year is automatically deducted from the principal amount upon release of money to a borrower. Let us therefore assume that you applied for a loan with a bank and the P80,000 was approved at an interest rate of 14% of which P11,200 was deducted and you were given a check of P68,800. Since you have to pay the amount of P80,000 one year after, what then will be the effective interest rate?

- A. 16.02 %
- B. 16.28 %
- C. 16.32 %
- D. 16.47 %

10. A man invested P110,000 for 31 days. The net interest after deducting 20% withholding tax is P890.36. Find the rate of return annually.

- A. 11.50 %
- B. 11.75 %
- C. 11.95 %
- D. 12.32 %

11. A investor wishes to earn 7% on his capital after payment of taxes. If the income from an available investment will be taxed at an average rate of 42%, what minimum rate of return, before payment of taxes, must the investment offer to be justified?

A. 12.07 %

B. 12.34 %

C. 12.67 %

D. 12.87 %

12. Mr. Jun Ramos was granted a loan of P20,000 by his employer Excel First Review and Training Center, Inc. with an interest of 6% for 180 days on the principal collected in advance. The corporation would accept a promissory note for P20,000 non-interest for 180 days. If discounted at once, find the proceeds of the note.

A. P18,000

B. P18,900

C. P19,000

D. P19,100

13. Miss Evilla borrowed money from a bank. She receives from the bank P1,340.00 and promised to pay P1,500.00 at the end of 9 months. Determine the corresponding discount rate or often referred to as the “banker’s discount”.

A. 13.15 %

B. 13.32 %

C. 13.46 %

D. 13.73 %

14. The exact simple interest of P5,000 invested from June 21, 1995 to December 25, 1995 is P100. What is the rate of interest?

A. 3.90 %

B. 3.92 %

C. 3.95 %

D. 3.98 %

15. What is the ordinary interest on P1,500.50 for 182 days at 5.2%?

- A. P39.01
- B. P39.82
- C. P39.45
- D. P39.99

16. A loan for P50,000 is to be paid in 3 years at the amount of P65,000. What is the effective rate of money?

- A. 9.01 %
- B. 9.14 %
- C. 9.31 %
- D. 9.41 %

17. What is the effective rate corresponding to 18% compounded daily? Take 1 year is equal to 360 days.

- A. 19.61 %
- B. 19.44 %
- C. 19.31 %
- D. 19.72 %

18. What rate of interest compounded annually is the same as the rate of interest of 8% compounded quarterly?

- A. 8.07 %
- B. 8.12 %
- C. 8.16 %
- D. 8.24 %

19. Which of these gives the lowest effective rate of interest?

- A. 12.35 % compounded annually
- B. 11.90 % compounded annually
- C. 12.20 % compounded annually
- D. 11.60 % compounded annually

20. An amount of P1,000 becomes P1,608.44 after 4 years compounded bimonthly. Find the nominal interest.

- A. 11.89 %
- B. 12.00 %
- C. 12.08 %
- D. 12.32 %

21. How long will it take money to double itself if invested at 5% compounded annually?

- A. 13.7 years
- B. 14.7 years
- C. 14.2 years
- D. 15.3 years

22. By the condition of a will, the sum of P20,000 is left to a girl to be held in trust fund by her guardian until it amounts to P50,000. When will the girl receive the money if fund invested at 8% compounded quarterly?

- A. 11.23 years
- B. 11.46 years
- C. 11.57 years
- D. 11.87 years

23. A sum of P1,000 is invested now and left for eight years, at which time the principal is withdrawn. The interest has accrued is left for another eight years. If the

effective annual interest rate is 5%, what will be the withdrawal amount at the end of the 16th year?

- A. P693.12
- B. P700.12
- C. P702.15
- D. P705.42

24. Mandarin Bank advertises 9.5% account that yields 9.84% annually. Find how often the interest is compounded.

- A. Monthly
- B. Bimonthly
- C. Quarterly
- D. Annually

25. A student plans to deposit P1,500 in the bank now and another P3,000 for the next 2 years. If he plans to withdraw P5,000 three years from after his last deposit for the purpose of buying shoes, what will be the amount of money left in the bank after one year of his withdrawal? Effective annual interest rate is 10%.

- A. P1,549.64
- B. P1,459.64
- C. P1,345.98
- D. P1,945.64

26. You borrow P3,500.00 for one year from a friend at an interest rate of 1.5% per month instead of taking a loan from a bank at a rate of 18% per year. How much lesser you will pay by borrowing the money from the bank?

- A. P 62.44
- B. P44.55
- C. P54.66
- D. P37.56

27. What is the present worth of two P 100 payments at the end of the third year and fourth year? The annual interest rate is 8%.

- A. P 150.56
- B. P 152.88
- C. P 153.89
- D. P 151.09

28. A firm borrows P2,000 for 6 years at 8%. At the end of 6 years, it renews the loan for the amount due plus P2,000 more for 2 years at 8%. What is the lump sum due?

- A. P 3,260.34
- B. P 3,280.34
- C. P 3,270.34
- D. P 3,250.34

29. In year zero, you invest P 10,000.00 in a 15% security for 5 years. During that time, the average annual inflation is 6%. How much in terms of year zero pesos will be in the account at maturity?

- A. P 15,030.03
- B. P 20,113.57
- C. P 18,289.05
- D. P 16,892.34

30. The institute of Electronics and Communications Engineers of the Philippines (IECEP) is planning to put

up its own building. Two proposals being considered are:

- A. The construction of the building now to cost P 400,000
- B. The construction of a smaller building now to cost P300,000 and at the end of 5 years, an extension to be added to cost P 200,000.

By how much is proposal B more economical than proposal A if interest rate is 20% and depreciation to be neglected?

- A. P 19,122.15
- B. P 19,423.69
- C. P 19,518.03
- D. P 19,624.49

31. What is the present worth of a P500 annuity starting at the end of the third year and continuing to the end of the fourth year, if the annual interest rate is 10 %?

- A. P 727.17
- B. P 717.17
- C. P 714.71
- D. P 731.17

32. What annuity is required over 12 years to equate with a future amount of P 20,000? Assume $i = 6%$ annually.

- A. P 1,290.34
- B. P 1,185.54
- C. P 1,107.34
- D. P 1,205.74

33. A factory operator bought a diesel generator set for P 10,000.00 and agreed to pay the dealer uniform sum at the end of each year for 5 years at 8% interest compounded annually, that the final payment will cancel the debt for principal and interest. What is the annual payment?

- A. P 2,500.57
- B. P 2,544.45

C. P 2,540.56

D. P 2,504.57

34. What is the present worth of a year annuity paying P 3,000.00 at the end of each year, with interest at 8% compounded annually?

A. P 7,654.04

B. P 7,731.29

C. P 7,420.89

D. P 7,590.12

35. A man loans P 187,400 from a bank with interest at 5% compounded annually. He agrees to pay his obligations by paying 8 equal annual payments, the first being due at the end of 10 years. Find the annual payments.

A. P 43,600.10

B. P 43,489.47

C. P 43,263.91

D. P 43,763.20

36. A person buys a piece of lot for P 100,000 down payment and 10 deferred semi-annual payments of P 8,000 each, starting three years from now. What is the present value of the investment if the rate of interest is 12% compounded semi-annually?

A. P 142,999.08

B. P 143,104.89

C. P 142,189.67

D. P 143,999.08

37. A young engineer borrowed P 10,000 at 12% interest and paid P 2,000 per annum for the last 4 years. What does he have to pay at the end of the fifth year in order to pay off his loan?

A. P 6,999.39

B. P 6,292.93

C. P 6,222.39

D. P 6,922.93

38. Miss Calledo deposited P 1,000, P 1,500 and P 2,000 at the end of the 2nd year, 3rd year and 4th year, respectively in a savings account which earned 10% per annum. How much is in the account at the end of the 4th year?

A. P 4,880.00

B. P 4,820.00

C. P 4,860.00

D. P 4,840.00

39. A P 1,000,000 issue of 3%, 15-year bond was sold at 95%. What is the rate of interest of this investment?

A. 3.0%

B. 3.4%

C. 3.7%

D. 4.0%

40. A P 1,000, 6% bond pays dividend semiannually and will be redeemed at 110% on June 21, 204. It is bought on June 21, 2001 to yield 4% interest. Find the price of the bond.

A. P 1,122.70

B. P 1,144.81

C. P 1,133.78

D. P 1,155.06

41. A VOM has a selling price of P 400. If its selling price is expected to decline at a rate of 10% per annum due to obsolescence, what will be its selling price after 5 years?

A. P 222.67

B. P 212.90

C. P 236.20

D. P 231.56

42. A machine costs of P 8,000 and an estimated life of 10 years with a salvage value of P 500. What is its book value after 8 years using straight line method?

- A. P 2,000.00
- B. P 2,100.00
- C. P 2,200.00
- D. P 2,300.00

43. ABC Corporation makes it a policy that for any new equipment purchased, the annual depreciation cost should not exceed 20% of the first cost at any time with no salvage value. Determine the length of service life necessary if the depreciation used is the SYD method.

- A. 7 eyars
- B. 8 years
- C. 9 years
- D. 10 years

44. An asset is purchased for P 9,000.00. Its estimated economic life is 10 years after which it will be sold for P 1,000.00. Find the depreciation in the first three years using sum-of-years digit method

- A. P 3,279.27
- B. P 3,927.27
- C. P 3,729.27
- D. P 3,792.72

45. Shell Philippines, a multinational company, has a total gross income for a particular year of P 50,000,000. The taxable income after taking all deductions except for depletion is P 18,500,000. What is the allowable depletion allowance for that particular year? Take percentage of gross income for oil as 22%.

- A. P 9,358.41
- B. P 9,228.45
- C. P 9,250.00
- D. P 9,308.45

46. The Saudi Arabian Oil Refinery developed an oil well which is estimated to contain 5,000,000 barrels of oil at an initial cost of \$ 50,000,000. What is the depletion charge during the year where it produces half million barrels of oil? Use Unit or Factor method in computing depletion.

- A. \$ 5,000,000.00
- B. \$ 5,010,000.00
- C. \$ 5,025,000.00
- D. \$ 5,050,000.00

47. A manufacturer produces certain items at a labor cost of P 115 each, material cost of P 76 each and variable cost of P 2.32 each. If the item has a unit price of P 600, how many units must be manufactured each month for the manufacturer to break even if the monthly overhead is P428,000

- A. 1,033
- B. 1,037
- C. 1,043
- D. 1,053

48. A manufacturing firm maintains one product assembly line to produce signal generators. Weekly demand for the generators is 35 units. The line operates for 7 hours per day, 5 days per week. What is the maximum production time per unit in hours required of the line to meet the demand?

- A. 1.0 hour per unit
- B. 1.2 hours per unit
- C. 1.4 hours per unit
- D. 1.6 hours per unit

49. A telephone switchboard 100 pair cable can be made up with either enameled wire or tinned wire. There will be 400 soldered connections. The cost of soldering a connection on the enameled wire will be P 1.65 on the tinned wire, it will be P 1.15. A 100- pair cable made up

with enameled wire cost P 0.55 per linear foot and those made up of tinned wire cost P 0.75 per linear foot. Determine the length of cable run in feet so that the cost of each installation would be the same.

- A. 1,000 feet
- B. 1,040 feet
- C. 1,100 feet
- D. 1,120 feet

50. A leading shoe manufacturer produces a pair of LeBron James signature shoes at a labor cost of P 900.00 a pair and a material cost of P 800.00 a pair. The fixed charges on the business are P 5,000,000 a month and the variable costs are P 400.00 a pair. Royalty to LeBron James is P 1,000 per pair of shoes sold. If the shoes sell at P 5,000 a pair, how many pairs must be produced each month for the manufacturer to break-even?

- A. 2,590
- B. 2,632
- C. 2,712
- D. 2,890

51. What is defines as the analysis and evaluation of the monetary consequences by using the theories and principles of economics to engineering applications, designs and projects?

- A. Economic Analysis
- B. Engineering cost analysis
- C. Engineering economy
- D. Design cost analysis

52. What is considered as the standard unit which forms the basis of a country's domestic money supply?

- A. Monetary unit
- B. Currency
- C. Foreign exchange
- D. Cash or check

53. What is defined as any tangible economic product that contributes directly or indirectly to the satisfaction of human want?

- A. Services
- B. Goods
- C. Commodities
- D. Goods or commodities

54. What is defined as any tangible economic activity that contributes directly or indirectly to the satisfaction of human want?

- A. Services
- B. Goods
- C. Commodities
- D. Goods or commodities

55. What are the two classifications of goods and services?

- A. Local and imported
- B. Raw and finished
- C. Consumer and producer
- D. Ready-made and made-to-order

56. What refers to the goods and services that are required to support human life, needs and activities?

- A. Producer products
- B. Consumer products
- C. Luxury
- D. Necessity

57. What refers to the goods and services that are desired by human and will be acquired only after all the needs have been satisfied?

- A. Producer products
- B. Consumer products

- C. Luxury
- D. Necessity**

58. What refers to the exchange mechanism that brings together the sellers and the buyers of a product, factor of production or financial security?

- A. Mall
- B. Market**
- C. Store
- D. Office

59. What is considered as the basic consuming or demanding unit of a commodity?

- A. Seller
- B. Manufacturer
- C. Producer
- D. Buyer or consumer**

60. What is defined as an entity which makes product, good or services available to buyer or consumer in exchange of monetary consideration?

- A. Seller
- B. Manufacturer
- C. Producer**
- D. Buyer or consumer

61. What is a market situation whereby there is only one buyer of an item for which there is no goods substitute?

- A. Monopsony
- B. Monopoly**
- C. Oligopoly
- D. Oligopsony

62. What market situation exists where there are few sellers and few buyers?

- A. Oligopoly
- B. Oligopsony
- C. Bilateral oligopoly
- D. Bilateral Oligopsony

63. What market situation exists where there is only one buyer and only one seller?

- A. Monopsony
- B. Monopoly
- C. Bilateral monopsony
- D. Bilateral monopoly

64. What is the market situation exist when there are many buyers and many sellers?

- A. Perfect competition
- B. Oligopoly
- C. Oligopsony
- D. Monopoly

65. If there is only one seller and many buyers, the market situation is _____ .

- A. Duopsony
- B. Oligopoly
- C. Oligopsony
- D. Monopoly

66. If there are many sellers and few buyers, the market situation is _____ .

- A. Duopsony
- B. Oligopoly
- C. Oligopsony
- D. Monopoly

67. Oligopoly exists when there is/are:

- A. Few sellers and few buyers
- B. Few sellers and many buyers

- C. Many sellers and few buyers
- D. One seller and few buyers

68. Duopsony is a market situation where there is/are:

- A. Few sellers and few buyers
- B. Few sellers and many buyers
- C. Many sellers and few buyers
- D. One seller and few buyers

69. Duopoly is a market situation where there is/are:

- A. Few sellers and few buyers
- B. Few sellers and many buyers
- C. Many sellers and few buyers
- D. One seller and few buyers

70. What is another term for “perfect competition”?

- A. Atomistic competition
- B. No-limit competition
- C. Free-for-all competition
- D. Heterogeneous market

71. What refers to the market situation in which any given product is supplied by a very large number of vendors and there is no restriction against additional vendors from entering the market?

- A. Perfect competition
- B. Oligopoly
- C. Oligopsony
- D. Monopoly

72. Aside from many sellers and many buyers, which one is a characteristic of perfect competition?

- A. Homogeneous product
- B. Free market entry and exit
- C. Perfect information and absence of all economic friction
- D. All of the above

73. What is the opposite of perfect competition?

- A. Monopsony
- B. Oligopoly
- C. Oligopsony
- D. Monopoly

74. Perfect monopoly exists only if:

- A. the single vendor can prevent the entry of all other vendors in the market
- B. the single vendor gets the absolute franchise of the product
- C. the single vendor is the only one who has the permit to sell
- D. the single vendor is the only one who has the knowledge of the product

75. A _____ is a market situation where economies of scale are so significant that cost are only minimized when the entire output of an industry is supplied by a single producer so that the supply costs are lower under monopoly than under perfect competition.

- A. Perfect monopoly
- B. Bilateral monopoly
- C. Natural monopoly
- D. Ordinary monopoly

76. “When one of the factors of production is fixed in quantity or is difficult to increase, increasing the other factors of production will result in a less than proportionate increase in output”. This statement is known as the:

- A. Law of diminishing return
- B. Law of supply
- C. Law of demand
- D. Law of supply and demand

77. What refers to the need, want or desire for a product backed by the money to purchase it?

- A. Supply
- B. Demand**
- C. Product
- D. Good

78. What refers to the amount of a product made available for sale?

- A. Supply**
- B. Demand
- C. Product
- D. Good

79. “Under conditions of perfect competition, the price at which any given product will be supplied and purchased is the price that will result in the supply and the demand being equal.” This statement is known as the:

- A. Law of diminishing return
- B. Law of supply
- C. Law of demand
- D. Law of supply and demand**

80. What do you call any particular raw material or primary product such as cloth, wool, flour, coffee, etc.?

- A. Utility
- B. Necessity
- C. Commodity**
- D. Stock

81. What is defined as the interest on a loan or principal that is based only on the original amount of the loan or principal?

- A. Effective rate of interest
- B. Nominal rate of interest
- C. Compound interest
- D. Simple interest**

82. Under ordinary simple interest, how many days in one year?

- A. 300
- B. 360
- C. 365
- D. 366

83. One banker's year is equivalent to _____ days.

- A. 300
- B. 360
- C. 365
- D. 366

84. What refers to the cumulative effect of elapsed time on the money value of an event, based on the earning power of equivalent invested funds capital should or will earn?

- A. Present worth factor
- B. Interest rate
- C. Time value of money
- D. Yield

85. The difference between the present and future worth of money at some time in the future is called _____.

- A. Discount
- B. Deduction
- C. Inflation
- D. Depletion

86. What refers to the present worth of the probable future net earnings?

- A. Total fair value
- B. Total market value
- C. Going concern value
- D. Earning value

87. What refers to the amount of money paid for the use of borrowed capital?

- A. Interest
- B. Rate of interest
- C. Simple interest
- D. Principal

88. What refers to the ratio of the interest payment to the principal for a given unit of time and usually expressed as a percentage of the principal?

- A. Return of investment
- B. Interest rate
- C. Yield
- D. Rate of return

89. What is defined as the investment of loan or principal which is based not only on the original amount of the loan or principal but the amount of loaned or principal plus the previous accumulated interest?

- A. Effective rate of interest
- B. Nominal rate of interest
- C. Compound interest
- D. Simple interest

90. What refers to the cost of borrowing money or the amount earned by a unit principal per unit time?

- A. Yield rate
- B. Rate of return
- C. Rate of interest
- D. Economic return

91. A uniform series of payment occurring at equal interval of time is called _____.

- A. Annuity
- B. Amortization

- C. Depreciation
- D. Bond

92. What is the term for an annuity with a fixed time span?

- A. Ordinary annuity
- B. Perpetuity
- C. Annuity certain
- D. Annuity due

93. What is the type of annuity where the payments are made at the end of each period starting from the first period?

- A. Ordinary annuity
- B. Perpetuity
- C. Annuity due
- D. Deferred annuity

94. What is the type of annuity where the payments are made at the beginning of the each period starting from the first period?

- A. Ordinary annuity
- B. Perpetuity
- C. Annuity due
- D. Deferred annuity

95. What is the type of annuity that does not have a fixed time span but continues indefinitely or forever?

- A. Ordinary annuity
- B. Perpetuity
- C. Annuity due
- D. Deferred annuity

96. What is the type of annuity where the first payment does not begin until some later date in the cash flow?

- A. Ordinary annuity
- B. Perpetuity
- C. Annuity due
- D. Deferred annuity

97. Which is NOT an essential element of an ordinary annuity?

- A. The amounts of all payments are equal.
- B. The payments are made at equal interval of time.
- C. The first payment is made at the beginning of the first period.
- D. Compound interest is paid on all amounts in the annuity.

98. What is defined as a financial security note issued by business or corporation and by the government as a means of borrowing long-term fund?

- A. T-bills
- B. Securities
- C. Bond
- D. Bank notes

99. What refers to the present worth of all the amount the bondholder will receive through his possession of the bond?

- A. Par value of bond
- B. Face value of bond
- C. Redeemed value of bond
- D. Value of bond

100. What is defined as the certificate of indebtedness of corporation usually for a period not less than 10 years and guaranteed by a mortgage on certain assets of a corporation?

- A. Bond
- B. T-bills
- C. Stock
- D. Promissory note

ENGINEERING ECONOMICS Objective Questions ::

101. What refers to a document that shows proof of legal ownership of a financial security?

- A. Bond
- B. Bank note
- C. Coupon
- D. Check

102. What type of bond is issued jointly by two or more corporations?

- A. Mortgage bond
- B. Joint bond
- C. Tie-up bond
- D. Trust bond

103. What type of bond whose guaranty is in lien on railroad equipment, such as freight and passenger cars, locomotives, etc.?

- A. Railroad bond
- B. Equipment obligation bond
- C. Equipment bond
- D. Equipment trust bond

104. A type of bond to which are attached coupons indicating the interest due and the date when such interest is to be paid is called _____.

- A. Registered bond
- B. Coupon bond
- C. Mortgage bond
- D. Collateral trust bond

105. What bond whose security is a mortgage on certain specified assets of the corporation?

- A. Registered bond
- B. Collateral trust bond

C. Mortgage bond

D. Debenture bond

106. A bond without any security behind them except a promise to pay by the issuing corporation is called

_____.

A. Joint bond

B. Debenture bond

C. Trust bond

D. Common bond

107. A type of bond where the corporation pledges securities which it owns such as the stock or bonds of one of its subsidiaries.

A. Mortgage bond

B. Joint bond

C. Security bond

D. Collateral trust bond

108. What type of bond where the corporation's owner name are recorded and the interest is paid periodically to the owners with their asking for it?

A. Preferred bond

B. Registered bond

C. Incorporators bond

D. Callable bond

109. What type of bond which can be redeemed before maturity date?

A. Preferred bond

B. Registered bond

C. Incorporators bond

D. Callable bond

110. What is the feature of some bonds whereby the issuer can redeem it before it matures?

- A. Return clause
- B. Callability**
- C. Recall clause
- D. Call class

111. The price at which the callable bond will be redeemed from the bondholder is called _____.

- A. Par value
- B. Call value**
- C. Face value
- D. Redemption value

112. What is defined as the reduction or fall of the value of an asset due to constant use and passage of time?

- A. Depletion
- B. Inflation
- C. Depreciation**
- D. Deflation

113. In what method of computing depreciation where it assumes that the loss in value is directly proportional to the age of the equipment or asset?

- A. Straight line method**
- B. Sinking fund method
- C. Sum-of-year digit method
- D. Declining balance method

114. In what method of computing depreciation where it assumes that a sinking fund is established in which funds will accumulate for replacement purposes?

- A. Straight line method
- B. Sinking fund method**
- C. Sum-of-year digit method
- D. Declining balance method

115. In what method of computing depreciation where it assumes that the annual cost of depreciation is a fixed

percentage of the book value at the beginning of the year?

- A. Straight line method
- B. Sinking fund method
- C. Sum-of-year digit method
- D. Declining balance method

116. In SYD method of computing depreciation, which of the following is the formula in finding the sum of years' digits?

- A. image
- B. image
- C. image
- D. image

117. The declining balance method is also known as _____.

- A. Double percentage method
- B. Constant percentage method
- C. Modified sinking fund method
- D. Modified SYD method

118. What type of depreciation is due to the reduction in the demand for the function that the equipment or asset was designed to render?

- A. Functional depreciation
- B. Design depreciation
- C. Physical depreciation
- D. Demand depreciation

119. What type of depreciation is due to the reduction of the physical ability of an equipment or asset to produce results?

- A. Functional depreciation
- B. Design depreciation
- C. Physical depreciation
- D. Demand depreciation

120. The functional depreciation is sometimes called

_____.

- A. Demand depreciation
- B. Adolescence
- C. Life depreciation
- D. Failure depreciation

121. What is defined as the reduction of the value of certain natural resources such as mines, oil, timber, quarries, etc. due to the gradual extraction of its contents?

- A. Depletion
- B. Inflation
- C. Depreciation
- D. Deflation

122. What are the common methods of computing depletion charge?

- A. Rational method and irrational method
- B. Conservative method and conventional method
- C. Unit method and percentage method
- D. Discrete method and depletion allowance method

123. Under the depletion allowance method in computing depreciation, the depletion charge is equal to either _____ whichever is smaller.

- A. Fixed percentage of gross income or the net taxable income
- B. Fixed percentage of gross income or 50% of the net taxable income
- C. 50% of the fixed percentage of gross income or 50% of the net taxable income
- D. 50% of the fixed percentage of gross income or the net taxable income

124. The depletion allowance method of computing depletion is commonly known as _____.

- A. Unit method
- B. Percentage method**
- C. Factor method
- D. Sinking fund method

125. What is another term for “unit method” for computing depletion?

- A. Initial cost method
- B. Percentage method
- C. Factor method**
- D. Sinking fund method

126. Using factor method, the depletion at any given year is equal to:

- A. Initial cost of property times number of unit sold during the year divided by the total units in property**
- B. Initial cost of property divided by the number of units sold during the year
- C. Initial cost of property times number of units sold during the year
- D. Initial cost of property divided by the total units in property

127. What do you call the after-tax present worth of all depreciation effects over the depreciation period of the asset?

- A. Asset recovery
- B. Depreciation recovery**
- C. Period recovery
- D. After-tax recovery

128. A mathematical expression also known as the present value of annuity of one is called _____.

- A. Load factor
- B. Demand factor
- C. Sinking fund factor
- D. Present worth factor**

129. The amount of property in which a willing buyer to a willing seller for the property when neither one is under the compulsion to buy nor to sell is called _____.

- A. Fair value
- B. Market value**
- C. Good will value
- D. Book value

130. Salvage value is sometimes known as _____.

- A. Scrap value
- B. Going value
- C. Junk value
- D. Second-hand value**

131. What refers to the value of an asset which a disinterested third party, different from the buyer and seller, will determine in order to establish a price acceptable to both parties?

- A. Book value
- B. Market value
- C. Fair value**
- D. Franchise value

132. What refers to the value of an intangible item which arises from the exclusive right of a company to provide a specified product and service in a certain region of the country?

- A. Company value
- B. Going value
- C. Goodwill value
- D. Franchise value**

133. The first cost to be incurred if the piece of equipment now in place had been bought for a second hand dealer or some other business is called _____.

- A. Material cost
- B. Fixed cost
- C. First cost
- D. In-place value

134. In computing depreciation of an equipment, which of the following represents the first cost?

- A. The original purchase price and freight charges
- B. Installation expenses
- C. Initial taxes and permit fees
- D. All of the above

135. The process of determining the value or worth of a physical property for specific reason is called _____.

- A. Investment
- B. Valuation
- C. Economy
- D. Depletion

136. The unrecovered depreciation which results due to poor estimates as to the life of the equipment is called _____.

- A. Sunk cost
- B. Economic life
- C. In-place value
- D. Annuity

137. What refers to the present worth of cost associated with an asset for an infinite period of time?

- A. Annual cost
- B. Increment cost
- C. Capitalized cost
- D. Operating cost

138. Capitalized cost of a project is also known as _____.

- A. Infinite cost
- B. Life cycle cost**
- C. Life cost
- D. Project cost

139. What is normally used to compare alternatives that accomplish the same purpose but have unequal lives?

- A. Capitalized cost method
- B. Present worth method
- C. Annual cost method**
- D. MARR

140. What method is often used in municipal project evaluations where benefits and costs accrue to different segments of the community?

- A. Annual cost method
- B. Benefit-cost ratio**
- C. Rate of return method
- D. EUAC

141. What refers to an imaginary cost representing what will not be received if a particular strategy is rejected?

- A. Opportunity cost**
- B. Ghost cost
- C. Horizon cost
- D. Null cost

142. What is the main reason why the sinking fund method of computing depreciation is seldom used in the industry?

- A. Unstable economy
- B. Rate of interest cannot be exactly determined
- C. The initial depreciation is high
- D. The initial depreciation is low**

143. What is the factor name of the formula $(1+i)^{-n}$?

- A. Uniform gradient future worth
- B. Capital recovery
- C. Single payment present worth
- D. Single payment compound amount

144. What is the factor name of the formula

$$[i(1+i)^n]/[(1+i)^n-1]?$$

- A. Uniform series sinking fund
- B. Capital recovery
- C. Single payment present worth
- D. Uniform gradient future worth

145. A form of business organization in which a person conducts his business alone and entirely for his own profit, being solely responsible for all its activities and liabilities.

- A. Sole proprietorship
- B. Entrepreneurship
- C. Partnership
- D. Corporation

146. Is an artificial being created by operation of law, having the right of succession and the process, attributes and properties expressly authorized by the law or incident to its existence.

- A. Corporation
- B. Property
- C. Partnership
- D. Organization

147. What is the simplest form of business organization?

- A. Sole proprietorship
- B. Partnership
- C. Enterprise
- D. Corporation

148. Double taxation is a disadvantage of which business organization?

- A. Sole proprietorship
- B. Partnership
- C. Corporation
- D. Enterprise

149. In case of bankruptcy of a partnership,

- A. The partners are not liable for the liabilities of the partnership
- B. The partnership assets (excluding the partners personal assets) only will be used to pay the liabilities
- C. The partners personal assets are attached to the debt of the partnership
- D. The partners may sell stock to generate additional capital

150. Which is true about partnership?

- A. It has a perpetual life.
- B. It will be dissolved if one of the partners ceases to be connected with the partnership.
- C. It can be handed down from one generation of partners to another.
- D. Its capitalization must be equal for each partner.

151. Which is true about corporation?

- A. It is worse type of business organization.
- B. The minimum number of incorporators to start a corporation is three.
- C. Its life is dependent on the lives of the incorporators.
- D. The stock holders of the corporation are only liable to the extent of their investments.

152. Aggregation of individuals formed for the purpose of conducting a business and recognized by law as a fictitious person is called _____.

- A. Partnership
- B. Investors

C. Corporation

D. Stockholders

153. An association of two or more persons for the purpose of engaging into a business for profit is called _____.

A. Entrepreneurship

B. Partnership

C. Proprietorship

D. Corporation

154. What represents the ownership of stockholders who have a residual claim on the assets of the corporation after all other claims have been settled?

A. Authorized capital stock

B. Preferred stock

C. Incorporator stock

D. Common stock

155. What stock represents ownership and enjoys certain preferences than ordinary stock?

A. Authorized stock

B. Preferred stock

C. Incorporator's stock

D. Presidential stock

156. The amount of company's profit that the board of directors of the corporation decides to distribute to ordinary shareholders is called _____.

A. Dividend

B. Return

C. Share of stock

D. Equity

157. What refers to the residual value of a company's assets after all outside liabilities (shareholders excluded) have been allowed for?

- A. Dividend
- B. Equity**
- C. Return
- D. Par value

158. What refers to the claim of anyone to ownership?

- A. Proprietorship
- B. Assets
- C. Equity**
- D. Liability

159. Cash money and credit necessary to establish and operate an enterprise are generally called _____.

- A. Capital**
- B. Funds
- C. Assets
- D. Liabilities

160. What represents the share of participation in business organizations?

- A. Franchise
- B. Partnership
- C. Stock**
- D. Corporation

161. The profit derived from a project or business enterprise without consideration of obligations to financial contributors and claims of others based on profit is known as _____.

- A. Yield
- B. Economic return**
- C. Earning value
- D. Gain

162. _____ is the element of value which a business has earned through the favorable consideration and

patronage of its costumers arising from its well known and well conducted policies and operations.

- A. Status company
- B. Big income
- C. Known owners
- D. Goodwill

163. Which of the following is an example of intangible asset?

- A. Cash
- B. Investment in subsidiary companies
- C. Furnitures
- D. Patents

164. Lands, buildings, plants and machineries are example of what type of asset?

- A. Current asset
- B. Trade investment asset
- C. Fixed asset
- D. Intangible asset

165. What refers to the interest rate at which the present work of the cash flow on a project is zero of the interest earned by an investment?

- A. Economic return
- B. Yield
- C. Rate of return
- D. Return of investment

166. What is another term for “current assets”?

- A. Fixed assets
- B. Non-liquid assets
- C. Liquid assets
- D. Ccash

167. What is an accounting term that represents an inventory account adjustment?

- A. Cost of goods sold
- B. Cost accounting
- C. Standard cost
- D. Overhead cost

168. What is the change in cost per unit variable change called?

- A. Variable cost
- B. Incremental cost
- C. Fixed cost
- D. Supplemental cost

169. What is used to record historical financial transactions?

- A. Bookkeeping system
- B. Ledger system
- C. Balance check
- D. General journal system

170. What is a secondary book of accounts, the information of which is obtained from the journal is called?

- A. Balanced sheet
- B. Ledger
- C. Worksheet
- D. Trial balance

171. The original record of a business transaction is recorded in this book.

- A. Work book
- B. Journal
- C. Ledger
- D. Account book

172. All the proceeds which are received by the business as a result of the sale of goods is called _____.

- A. Net income
- B. Gross income**
- C. Net revenue
- D. Total sales

173. All are classified under direct labor expenses EXCEPT one. Which one?

- A. Inspection cost
- B. Testing cost
- C. Assembly cost
- D. Supervision cost**

174. What is a measure of the average speed with which accounts receivable are collected?

- A. Current ratio
- B. Quick ratio
- C. Acid test ratio
- D. Receivable turnover**

175. The ratio of the net income before taxes to net sales is called _____.

- A. Current ratio
- B. Inventory turnover
- C. Profit margin ratio**
- D. Price-earnings ratio

176. What do you call a one-time credit against taxes?

- A. Due credit
- B. Tax credit**
- C. Credible credit
- D. Revenue credit

177. What is used when a quick estimate of the doubling time for the invested money is needed?

- A. Rule of 48
- B. Rule of 36
- C. Rule of 24
- D. Rule of 72

178. What is the increase in the money value of a capital asset is called?

- A. Profit
- B. Capital gain
- C. Capital expenditure
- D. Capital stock

179. What is the reduction in the money value of capital asset is called?

- A. Capital expenditure
- B. Capital loss
- C. Loss
- D. Deficit

180. What refers to the negotiable claim issued by a bank in lien of a term deposit?

- A. Time deposit
- B. Bond
- C. Capital gain certificate
- D. Certificate of deposit

181. What denotes in the fall in the exchange rate of one currency in terms of the others? This term is usually applies to the floating exchange rate.

- A. Currency appreciation
- B. Currency depreciation
- C. Currency devaluation
- D. Currency float

182. The deliberate lowering of the price of a nation's currency in terms of the accepted standard (Gold,

American dollar or the British pound) is known as

_____.

- A. Currency appreciation
- B. Currency depreciation
- C. Currency devaluation
- D. Currency float

183. What refers to the saving which takes place because goods are not available for consumption rather than consumer really want to save?

- A. Compulsory saving
- B. Consumer saving
- C. Forced saving
- D. All of the above

184. The flow back of profit plus depreciation form a given project is called _____.

- A. Capital recovery
- B. Cash flow
- C. Economic return
- D. Earning value

185. As applied to capitalized asset, the distribution of the initial cost by a periodic changes to operation as in depreciation or the reduction of a debt by either periodic or irregular prearranged programs is called _____.

- A. Annuity
- B. Amortization
- C. Capital recovery
- D. Annuity factor

186. Capitalized cost of any structure or property is computed by which formula?

- A. First cost + interest of first cost
- B. Annual cost – interest of first cost

C. First cost + cost of perpetual maintenance

D. First cost + salvage value

187. The true value of interest rate computed by equations for compound interest for a 1 year period is known as _____.

A. Expected return

B. Nominal interest

C. Effective interest

D. Economic return

188. Return on investment ratio is the ratio of the:

A. Net income to owner's equity

B. Market price per share to earnings per share

C. Cost of goods sold to average cost of inventory at hand

D. Net credit sales to average net receivable

189. Gross margin is the ratio of the gross profit to _____.

A. Net sale

B. Owner's equity

C. Inventory turnover

D. Quick assets

190. What is another term for "acid-test ratio"?

A. Current ratio

B. Quick ratio

C. Profit margin ratio

D. Price-earnings ratio

191. What is a government bond which has an indefinite life rather than a specific maturity?

A. Coupon

B. T-bill

C. Debenture

D. Consol

192. A form of business firm which is owned and run by a group of individuals for their mutual benefit is called

_____.

- A. Cooperative
- B. Corporation
- C. Enterprise
- D. Partnership

193. What is a stock of a product which is held by a trade body or government as a means of regulating the price of that product?

- A. Stock pile
- B. Hoard stock
- C. Buffer stock
- D. Withheld stock

194. The ability to meet debts as they become due is known as _____.

- A. Solvency
- B. Leverage
- C. Insolvency
- D. Liquidity

195. The ability to convert assets to cash quickly is known as _____.

- A. Solvency
- B. Liquidity
- C. Leverage
- D. Insolvency

196. What is the basic accounting equation?

- A. $\text{Assets} = \text{liability} + \text{owner's equity}$
- B. $\text{Liability} = \text{assets} + \text{owners' equity}$
- C. $\text{Owner's equity} = \text{assets} + \text{liability}$
- D. $\text{Owner's equity} = \text{liability} - \text{assets}$

197. The financial health of the company is measured in terms of:

- A. Liquidity
- B. Solvency
- C. Relative risk
- D. All of the above

198. What is an index of short-term paying ability?

- A. Price-earnings ratio
- B. Current ratio
- C. Profit margin ratio
- D. Gross margin

199. The common ratio is the ratio of:

- A. Net credit sales to average net receivable
- B. Current assets to current liabilities
- C. Gross profit to net sales
- D. Net income to owner's equity

200. What is defined as the current assets minus inventories and prepaid expenses?

- A. Profit margin ratio
- B. Price-earnings ratio
- C. Return of investment ratio
- D. Quick ratio

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