



Uva Wellassa University Faculty of Management

Year 1 Semester 2 Examination - June/July 2009
EMG 102 - 3 Project Management and Economics

Part C Essay Type Questions

Answer only two questions.
Each answer carries equal marks
(Total marks 25 x 2 =50)

01.
 - a) Define the price elasticity of demand and income elasticity of demand
 - b) Explain three determinants of price elasticity of demand
 - c) If the price elasticity of demand is
 - i) greater than 1, is demand elastic or inelastic?
 - ii) equals to 0, is demand perfectly elastic or perfectly inelastic?
 - d) On a supply and demand diagram, show equilibrium price, equilibrium quantity and total revenue received by the producers
 - e) If demand is elastic, how will an increase in price change the total revenue?

02. Suppose a firm faces a cost function of $C = 12 + 3Q + Q^2 - 3Q^3$

- a) What is the marginal cost, (MC) formula?
- b) What is the firm's fixed cost, (FC)?
- c) What is the formula for the firm's variable cost, (VC)?
- d) What is the formula for the average cost, (AC)?
- e) What is the formula for average variable cost, (AVC)?
- f) On a diagram, draw the AC, AVC, and MC curves.

03. Write short notes on any Four of the followings

- a) Opportunity Cost
- b) Price Elasticity of Supply
- c) Change in demand and change in quantity demanded
- d) Study of Macroeconomics
- e) ii. Weaknesses in National Income Accounting
- f) Different exchange rate regimes in Sri Lanka
- g) High Powered Money