

Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management

Degree of Bachelor of Business Management in Hospitality Tourism and Events

Management

FIRST YEAR FIRST SEMESTER EXAMINATION – JULY/AUGUST 2016

ENM 171- 2 / HTE 162 – 2 Introductory Economics



**Uva Wellassa
University**



(3.)

Production Function of a firm is given as below.

$$Q = K^{0.5}L^{0.5}$$

(a). K is given as 4, derive

- (i). Short run total production function (2 marks)
- (ii). Short run average production function (3 marks)
- (iii). Short run marginal production function (3 marks)

(b). Tabulate.

- (i). Short run total production function (2 marks)
- (ii). Short run average production function (3 marks)
- (iii). Short run marginal production function (3 marks)

Assuming $0 \leq K \leq 5$.

(c). Graph

- (i). Short run total production function (3 marks)
- (ii). Short run average production function (3 marks)
- (iii). Short run marginal production function (3 marks)

(Total marks - 25)

- (4.)
- (a) Briefly explain the difference between Economist's cost and Accountant's cost (5 marks)
- (b) Total Cost function of a firm is given as $TC = 20 + 3Q^2 + 2Q^3$, derive, (5 marks)
- (i). Total Fixed Cost Function (2 marks)
 - (ii). Total Variable Cost Function (2 marks)
 - (iii). Average Cost Function (2 marks)
 - (iv). Average Fixed Cost Function (2 marks)
 - (v). Average Variable Cost Function (2 marks)
 - (vi). Marginal Cost Function (2 marks)
- (c) Discuss the long run cost functions using graphs. (8 marks)

(Total marks - 25)

- (05.)
- (a) Define a "market" in economics (2 marks)
- (b) Explain the use of ceteris paribus in economic modelling (2 marks)
- (c) Explain the market equilibrium using linear (simple) demand and supply curves (5 marks)
- (d) If government imposes a maximum price (price ceiling) what will happen to consumer surplus, discuss using relevant graphs (8 marks)
- (e) Share of a specific tax born by the producers significantly depends on the demand and supply elasticity of the taxed product. Critically analyze this statement, use graphs where necessary (8 marks)

(Total marks - 25)

- (06.)
- Write short notes on any **Five (5)** of the followings (5 marks for each)

- (a) Increasing Opportunity Cost
- (b) Price Elasticity of Demand
- (c) Shift in Demand Curve
- (d) Unemployment
- (e) Weaknesses of National Income Accounting
- (f) Different exchange rate regimes in Sri Lanka
- (g) Production Possibility Frontiers
- (h) Central Bank of Sri Lanka
- (i) The Effect of Recent Tax Increase on Vehicle Imports in Sri Lanka
- (j) Recent Trends of Exchange Rates of Sri Lanka

(Total marks - 25)

