

Uva Wellassa University

Faculty of Management

Bachelor of Science in Industrial Information Technology

FIRST YEAR SECOND SEMESTER EXAMINATION – JANUARY/ FEBRUARY 2016

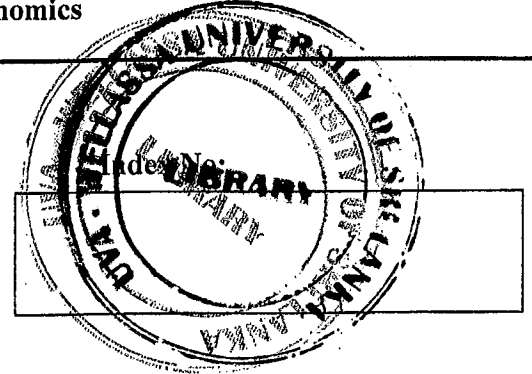
IIT 131 - 3 Fundamentals of Economics



**Uva Wellassa
University**

Instructions to candidates:

No. of pages : Five pages (05)
No. of questions : Twenty (20) MCQs
: Six (06) Essays
Time : Three (03) Hours
Marks allocated : 100 Marks
Answer **any Five (5)** questions.



Do not remove the question paper from the exam hall

(02.)

Predict what will happen to either supply or demand in each of the following cases. Explain your answers briefly. (2 marks for each)

- a) Several new companies enter the home personal computer industry
- b) Consumers decide eating beef is bad for their health
- c) A new kind of pest threatens to destroy the coconut plantations in Sri Lanka
- d) The price of Tea falls, the effect to the demand for Coffee
- e) The price of Tea falls, the effect to the demand for Milk
- f) A new type of paddy harvesting machine is introduced in Sri Lanka
- g) Tobacco opponents in Sri Lanka convince the government to impose a tax on each packet of cigarettes sold
- h) A new break-through in manufacturing technology of producing compact disc (CD) players
- i) Several new degree offering institutes enter to the private undergraduate education in Sri Lanka
- j) Fuel price increased rapidly, the effect on the air travel industry

(Total marks - 20)

(3).

- a). Define the price elasticity of demand and income elasticity of demand (04 marks)
- b). Explain three determinants of price elasticity of demand (03 marks)
- c). If the price elasticity of demand is
 - i) greater than 1, is demand elastic or inelastic? (02 marks)
 - ii) equals to 0, is demand perfectly elastic or perfectly inelastic? (02 marks)
- d. On a supply and demand diagram, show equilibrium price, equilibrium quantity and total revenue received by the producers. (05 marks)
- e. If demand is elastic, how will an increase in price change the total revenue? (04 marks)

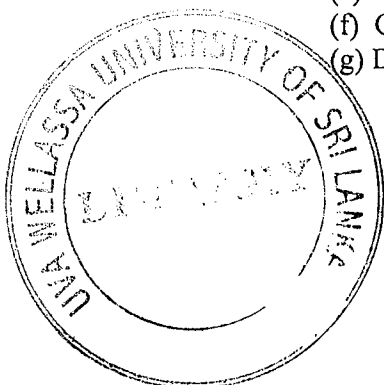
(20 marks)

(4).

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

- (a) What is the marginal cost, MC (formula)? (02 marks)
- (b) What is the firm's fixed cost, FC? (02 marks)
- (c) What is the formula for the firm's variable cost, VC? (02 marks)
- (d) What is the formula for the average cost, AC? (02 marks)
- (e) What is the formula for average variable cost, AVC? (02 marks)
- (f) On a diagram, draw the AC, AVC, and MC curves. (05 marks)
- (g) Discuss the relationship between AC, AVC and MC (05 marks)

(20 marks)



- (5).
(a). What are the intellectual property rights? (06 marks)
(b). Briefly explain why intellectual property rights are important in Information Technology Industry. (07 marks)
(c). What is the legal protection for intellectual property rights in Sri Lanka, discuss by providing examples (07 marks)
(20 marks)

- (6).
(a). "The speed of development of IT industry in Sri Lanka is not up to the development of IT industry in other South Asian Countries" Do you agree with this statement? Justify your answer. (10 marks)
(b). Briefly explain the impact of Budget Proposal 2016 on IT industry in Sri Lanka (10 marks)
(Total 20 marks)

- (7). Write short notes on **five (5)** of the following (4 marks for each)
(a). Opportunity Cost
(b). Price Elasticity of Supply
(c). Innovation and Economic Profits in IT industry
(d). Study of Macroeconomics
(e). Weaknesses in National Income Accounting
(f). Different exchange rate regimes in Sri Lanka
(g). High Powered Money
(h). Monopolistic Competition

(Total 20 marks)

