



Uva Wellassa University

Faculty of Management

YEAR II SEMESTER I EXAMINATION - FEBRUARY/MARCH 2011

EMG 102-3 Economics and Project Management

Section I - Economics

Uva Wellassa
University

Instructions

- No. of pages : Four (02)
No. of questions : Three (03) in Part B and Three (03) in Part C
Time : One (01) hour and fifteen (15) minutes
Total marks allocated : Fifty (40)

Index No:

R. A. S. J.

PART - C Essay Questions

R. A. S. J.

Answer only two (02) questions
Total marks for Part C is 25

01. Demand and Cost information of a monopoly firm is given as follows (10 marks)

$$\text{Demand Function } P = 2400 - 5Q$$

$$\text{Total Cost Function } TC = 2Q^3 - 15Q^2 + 400Q - 8000$$

- I. Find the profit maximizing output and price of this firm
- II. Calculate maximum profit of this firm
- III. Show the firm's equilibrium and profit by using a graph

02. Information about the hypothetical economy is given below.

(15 marks)

$C = 255 + 0.75Y_d$ Consumption

$I = 80$ Investment

$G = 40$ Government Expenditure

$T = 25 + 0.1Y$ Tax

$TR = 20$ Transfers

- i. Calculate the equilibrium national income of above economy.
- ii. Calculate the level of consumption at equilibrium income.
- iii. Find the value of multiplier and interpret the value of multiplier.
- iv. Assume that tax equation has changed as $T = 20 + 0.2Y$. Then what will happen to the equilibrium nation income of the economy?

03. Briefly explain the followings.

(15 marks)

- I. Fiscal policy and Monetary policy
- II. Inflation and Unemployment
- III. Kinked Demand Curve