

Uva Wellassa University

Faculty of Management

Bachelor of Science in Industrial Information Technology

*FIRST YEAR SECOND SEMESTER EXAMINATION – DECEMBER 2016/JANUARY 2017*

**IIT 131 - 3 Fundamentals of Economics**

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(02.)

- a) Briefly explain the term "Economics" (2 marks)
  - b) Discuss the importance of "Opportunity Cost" in decision making using graphs where necessary. (6 marks)
  - c) Differentiate "Market Economy" from "Centrally Planned" system (4 marks)
  - d) "An un-attainable point of production (in a PPF) can be achieved by adding value", Do you agree with this statement? Discuss using graphs where necessary. (8 marks)
- (Total 20 marks)**

(3.)

- a) Define Demand and Supply (3 marks)
  - b) Discuss the factors affecting demand and supply (4 marks)
  - c) What are *Ceteris Paribus*? Explain why they are important in studying market demand (3 marks)
  - d) State the "Demand Law" (2 marks)
  - e) Use hypothetical data and prepare a Demand Schedule based on the demand law (4 marks)
  - f) Derive a Demand Curve using above Demand Schedule (4 marks)
- (Total 20 marks)**

(4.)

- a) Explain why government is getting involved in price controls (3 marks)
  - b) Discuss the effect of Price Ceilings using graphs where necessary (7 marks)
  - c) "Tax is a necessary evil in an economic system" Critically evaluate this statement using graphs (10 marks)
- (Total 20 marks)**

(5.)

- a) "Firms will exit from industry if they cannot recover at least Average Variable Cost (AVC) in the short run". Show this in a graph (6 marks)
  - b) Explain the reason to exit from the industry (4 marks)
  - c) Is the above statement always true? Explain your answer (2 marks)
  - d) Discuss the long run and short equilibriums of production of perfectly competitive market using graphs where necessary (8 marks)
- ( Total 20 marks)**

(6.)

- (a). "Rapid development of IT industry is necessary for the development and growth of the country"  
Do you agree with this statement? Justify your answer. (10 marks)
  - (b). Briefly explain the impact of Budget Proposal 2017 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). Production Possibility Frontiers
- (b). Production functions
- (c). Assumptions of Perfect Competition
- (d). Monopolistic competition
- (e). Weaknesses in National Income Accounting
- (f). Study of Macroeconomics
- (g). Trade Deficit
- (h). Money Multiplier

(Total 20 marks)

