Uva Wellassa University of Sri Lanka
Faculty of Science and Technology
Department of Computer Science and Technology
200 level 2nd Semester Examination – Dec./Jan. 2017/18
SCT 317-2 Applied Economics and Financial Accounting

Uva Wellassa University

Instructions to candidates
Total time duration: Two (02) hours
Number of questions: Four (04) essay questions
Mark allocation: 100
Answer all the questions.
Calculators are allowed.

1.

a. Explain 'Scarcity' and how it is related with fundamental economic problems. (7 mark)

b. Briefly explain the characteristics of managerial economics. (5 mark)

c. Illustrate the relationship of managerial economics with other disciplines. (9 mark)

d. Differentiate Programmed decisions vs. Non-programmed decisions in decision making. (4 mark)

2.

a. Briefly explain 'effective demand'. (6 mark)

b. The price of a good is Rs. 1.20 per unit and annual demand is 800,000 units. Market research indicates that an increase in price of 10 cents per unit will result in a fall in annual demand of 70,000 units. Calculate the arc price elasticity of demand? Elaborate your answer. (4 mark)

c. Demand function and Supply function (hypothetical) of the 'rice' market in Sri Lanka are given below.

$Qd = 20 - 2P$
$Qs = -10 + 3P$

i. Find the market equilibrium (price and quantity) (3 mark)
ii. Find the function of the Total Revenue (TR). (2 mark)
iii. Find the function of Marginal Revenue (MR). (3 mark)
iv. Calculate the level of output that generates maximum TR. (3 mark)

d. Briefly explain the practical application of elasticity of demand. (4 mark)

3.

a. Differentiate Short run vs. Long run. (3 mark)

b. Consider a Cobb-Douglus production function ($Q = AK^{\alpha}L^{\beta}$) with parameters A=2, $\alpha = 0.5$, $\beta = 0.5$ and K=9. Price of the output is Rs. 6.00. The particular firm is expected to be operated in the short-run.

   i. Determine the optimal/profit maximizing rate of labor to be hired if the wage rate is Rs. 2.00 and Rs. 6.00 (5 mark)

   ii. Calculate the Total Revenue(TR) in each of the situation above. (4 mark)

c. Consider a Cobb-Douglus production function ($Q = AK^{\alpha}L^{\beta}$) with parameters A=100, $\alpha = 0.5$, $\beta = 0.5$. The particular firm is expected to be operated in the long-run. (assume the efficiency condition is satisfied)

   i. Breifly explain 'expansion path'. (2 mark)

   ii. Find the expansion path If wage rate(w) is Rs. 4.00 and interest rate(r) is Rs. 2.00 (3 mark)

   iii. Find the Labor(L) and Capital(K) requirement to produce 2000 units. (4 mark)

   iv. Calculate the Total Cost(TC) (4 mark)

4.

a. Write short notes on the following

   i. Pricing methods in practice (4 mark)

   ii. Fixed assets and Current assets (4 mark)

   iii. Implicit Costs and Explicit Costs (4 mark)

   iv. Importance of estimating Production cost (4 mark)

b. The following is an extract of Income Statements of Company A over past few years. Comment on the financial performance of Company A.

	Rs 2,014	Rs 2,015	Rs 2,016
Sales	200,000.00	300,000.00	400,000.00
Cost of goods sold	100,000.00	170,000.00	250,000.00
Gross profit	100,000.00	130,000.00	150,000.00
Less: Expenses			
Administration and Establishment expenses	15,000.00	15,000.00	16,000.00
Selling and distribution expenses	20,000.00	25,000.00	30,000.00
Financial expenses	5,000.00	6,000.00	7,500.00
Other expenses	1,000.00	2,000.00	2,500.00
Net profit	59,000.00	82,000.00	94,000.00

(9 mark)