

2. Production function of a firm is given below. Price of labor (W) = 10 Price of capital (r) = 20, Cost = 2000. Where, Q (Output), K (Capital), L (Labour)

$$Q = 50L^{0.6}K^{0.5}$$

- a) Find the optimum levels of labor and capital which maximize the output subject to the given constraint.
- b) Calculate the maximum profit of the firm if price is equal 100 (P = 100).
- c) If wage (price of labor) is increased equivalent to 20 what happen to the production equilibrium?

(5 Marks for each =15 Marks)

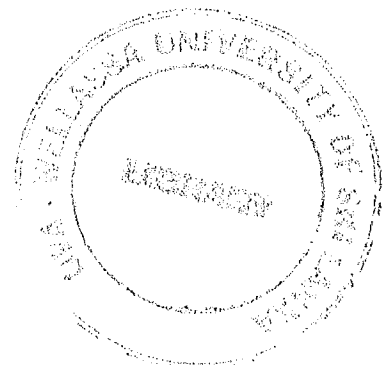
3. Answer the following questions.

- i) Explain the reasons that lead to a monopoly market.
- ii) Graphically explain the short-run equilibrium of a Monopoly firm and a Perfectly Competitive firm.
- iii) **“Despite the market price of a Perfectly Competitive firm is equal to the Marginal Cost (P=MC), the price level of Monopoly market is higher than the Marginal Cost (P>MC)”.**

Where, P (Price), and MC (Marginal Cost)

Explain this statement using relevant illustrations.

(5 Marks for each =15 Marks)

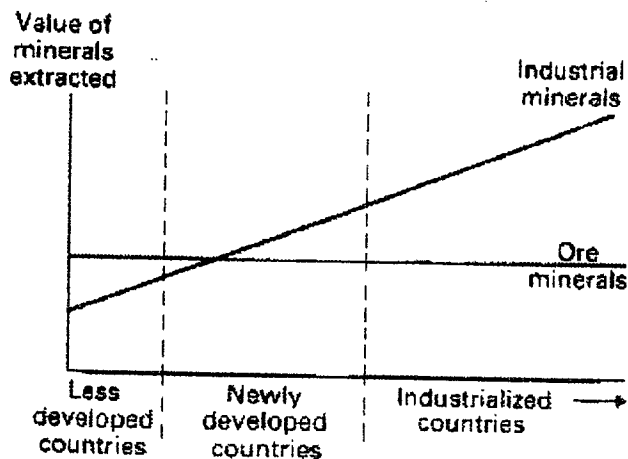


Part B

Answer all questions. Use separate answer book to answer following questions.

1. Write brief short notes on the following topics and following figures.

a) i.



ii.

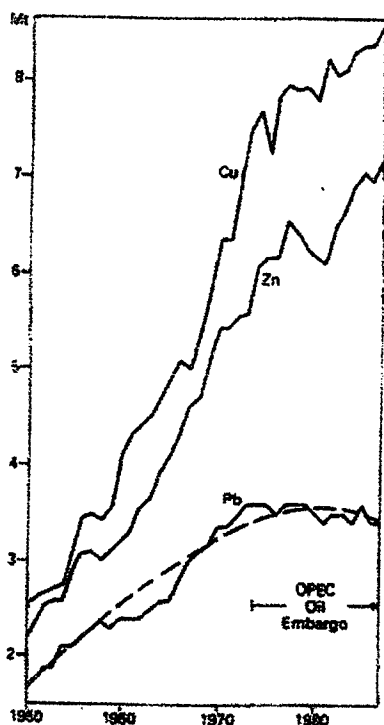


Fig. 1.7 World production of copper, zinc and lead from 1950 to 1987. General trend for lead superimposed. (After Lofy et al. 1989.)

- b) demand and supply
- c) minerals prospecting
- d) quarry accidents and its influence on the economics of the mineral industry
- e) risk assessment

(5 Marks for each = 25 Marks)

2.

- a) Discuss the economic benefits of réclamation in the mineral industry.
- b) Explain the current status of the mineral industry in Sri Lanka.

(12.5 Marks for each = 25 Marks)

