



Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management

Degree of Bachelor of Hospitality, Tourism and Events Management

FIRST YEAR FIRST SEMESTER EXAMINATION – FEBRUARY-MARCH 2012

EMG 122-0 Introduction to Economics



Part C -- Essay Questions

Answer only three (03) questions including question no. one (01)

01. Consider the following demand and supply equations.

Demand $QD = 1000 - 2P$

Supply $QS = 550 + P$

- i. Find the market equilibrium price and quantity. (4 Marks)
- ii. Assume that, the government intends to impose a specific tax equal to Rs.2. Calculate the new market equilibrium price and quantity after the tax. (4 Marks)
- iii. Find the consumer's share and producer's share of tax. (4 Marks)
- iv. Find the government tax revenue. (4 Marks)
- v. Show the effects of the tax graphically. (4 Marks)
- vi. Assume that, government decided to give a subsidy apart from the tax. If the amount of subsidy is equal to Rs.3, find new equilibrium after subsidy. (consider the above initially given demand and supply equations) (6 Marks)
- vii. Show the effects of the subsidy graphically. (4 Marks)

(Total marks 30)



02.

i. Explain the importance of "Stages of Production" by using graphical illustrations.

(4 Marks)

ii. Explain the relationship between Total Production and Marginal Production of Labor.

(3 Marks)

iii. Derive the Long Run Average Cost (LRAC) curve from the collection of Short Run Average Cost (SRAC) curves.

(3 Marks)

(Total marks 10)

03. Briefly explain the followings

i. The law of demand

ii. Positive and normative economics

iii. The law of diminishing marginal returns

iv. Production Possibility Frontier (PPF)

(2.5 Marks each)

(Total marks 10)

04. Briefly explain the followings

i. Economic growth in Sri Lanka

ii. Unemployment

iii. Central Bank of Sri Lanka

iv. World economic crisis

(2.5 Marks each)

(Total marks 10)