

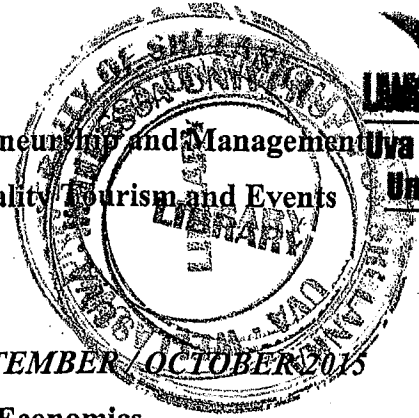
Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management

Degree of Bachelor of Business Management in Hospitality, Tourism and Events

Management



FIRST YEAR FIRST SEMESTER EXAMINATION - SEPTEMBER/OCTOBER 2015

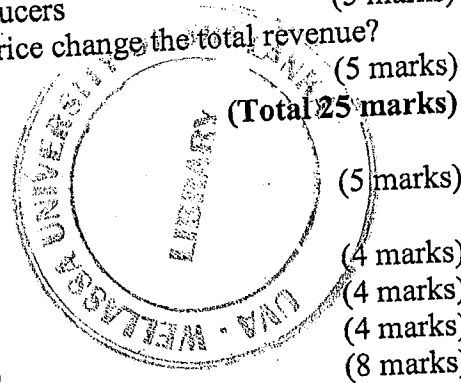
EMG 171 - 2 / HTE 162 - 2 Introductory Economics

(02). Predict what will happen to either supply or demand in each of the following cases. (2.5 marks each)

- (a). Several new companies enter the production of personal computer industry in Sri Lanka.
- (b). Consumers decide eating beef is bad for their health.
- (c). A new kind of pest threatens to destroy the coconut plantations in Sri Lanka and consumers expect the price to rise sharply in the future.
- (d). The price of tea falls in the UK market, what happens to the coffee market in the UK?
- (e). The price of tea falls in the Colombo market, what happens to the market for milk in Colombo?
- (f). A new type of paddy harvesting machine is introduced in Sri Lanka.
- (g). Tobacco opponents in Sri Lanka convince the government to print a guiding picture on the bad effects of tobacco consumption on each packet of cigarettes sold.
- (h). A new break-through in manufacturing technology of producing USB drivers.
- (i). Several new medical degree offering institutes enter to the private undergraduate education in Sri Lanka.
- (j). Fuel price decreased rapidly, what happens to the airline industry? (25 marks)

- (03).
- (a). Define the price elasticity of demand and income elasticity of demand (5 marks)
 - (b). Explain three determinants of price elasticity of demand (6 marks)
 - (c). If the price elasticity of demand is
 - (i). greater than 1, is demand elastic or inelastic? (2 marks)
 - (ii). equals to 0, is demand perfectly elastic or perfectly inelastic? (2 marks)
 - (d). On a supply and demand diagram, show equilibrium price, equilibrium quantity and total revenue received by the producers (5 marks)
 - (e). If demand is elastic, how will an increase of price change the total revenue? (5 marks)

- (04).
- (a). Define the production function (5 marks)
 - (b). Graphically explain
 - (i). Total Production function (TP) (4 marks)
 - (ii). Average Production function (AP) (4 marks)
 - (iii). Marginal Production function (MP) (4 marks)
 - (iv). The relationship between TP, AP and MP (8 marks)



(05).

Suppose a firm faces a cost function of $C = 12 + 3Q + Q^2 - 3Q^3$

- a) What is the marginal cost, MC (formula)?
- b) What is the firm's fixed cost, FC?
- c) What is the formula for the firm's variable cost, VC?
- d) What is the formula for the average cost, AC?
- e) What is the formula for average variable cost, AVC?
- f) On a diagram, draw the AC, AVC, and MC curves.



(4 marks)
(4 marks)
(4 marks)
(4 marks)
(4 marks)
(5 marks)

(Total 25 marks)

(6).

Briefly explain any **four** of the following

- (a). Opportunity Cost
- (b). Price Elasticity of Supply
- (c). Change in Demand and Change in Quantity Demanded
- (d). Study of Macroeconomics
- (e). Weaknesses in National Income Accounting
- (f). Different Exchange Rate Regimes in Sri Lanka
- (g). Recent Economic Growth in Sri Lanka

(6.25 marks for each)

(Total 25 marks)

