



Uva Wellassa University

Faculty of Management

Degree of Bachelor of Business Management in Entrepreneurship and Management

Degree of Bachelor of Hospitality, Tourism and Event Management

1st YEAR 1st SEMESTER EXAMINATION – FEBRUARY - MARCH 2011

EMG 122-0 Introduction to Economics



Instructions to candidates:

No. of pages	: One (05)
No. of questions	:
Part B	: Seven (07) Structured
Part C	: Four (04) Essays
Time (Total)	: One (01) hour and Forty (40) minutes
Marks allocated	
Part B	: 35 Marks
Part C	: 50 Marks

Index No:

Part C – Essay Questions

Answer only three (3) questions including question number one (01).

01. Information about the hypothetical economy is given below.

(2 Marks)

(Total marks)

Consumption $C = 250 + 0.75Y_d$

Investment $I = 85$

Government Expenditure $G = 45$

Tax $T = 20 + 0.1Y$

Transfers $TR = 25$

- i. Calculate the equilibrium national income of above economy.
- ii. Calculate the level of consumption at equilibrium income.
- iii. Find the value of investment multiplier and interpret the value of multiplier.
- iv. Assume that tax equation has changed as $T = 25 + 0.2Y$. Then what will happen to the equilibrium national income of the economy?
- v. Find the value of tax multiplier according to the above question (iv).

02)

(5 Marks ea)

(Total marks)

- i. What do you mean by the perfect competition firm? Explain by using characteristics of perfect competition firm?
- ii. Show the long run equilibrium of perfect competition firm graphically.
- iii. Compare the characteristics of Monopoly firm and perfect competition firm.
- iv. Show the short run equilibrium of Monopoly firm graphically.

03)

(5 Marks each)
(Total marks 20)

- i. Explain the importance of "Stages of Production" by using graphical illustrations.
- ii. Explain the relationship between Total Production and Marginal Production of Labor.
- iii. Derive the Long Run Average Cost (LRAC) curve from the collection of Short Run Average Cost (SRAC) curves.
- iv. What is meant by the "Economic Stabilization"

04) Briefly explain the followings

(5 Marks each)
(Total marks 20)

- i. Unemployment
- ii. World economic crisis
- iii. Role of the central bank
- iv. National income accounting

