



Uva Wellassa University

Faculty of Management

**Bachelor of Science and Technology and Computer Science
and Technology**

2nd YEAR 2nd SEMESTER EXAMINATION – JUNE / JULY 2010

EMG 344-3 Applied Economics and Value Addition

Part B – Structured Questions

Part C – Essay Questions



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Index No:

NO

03.

- I. Explain Value Addition and EVA.
- II. Explain by simple chart how value addition takes place in rubber industry taking an example of solid tyres.
- III. What is the formula for calculating EVA?
- IV. If company has 100 million invested in capital and a return on capital 20% while the cost of capital is averaging 15% work out the EVA.
- V. Give two examples of zero VAT in Sri Lanka.

(2 Marks each)
(Total Marks 10)

04.

- I. What are pharmafoods?
- II. Discuss how pharmafoods would reduce the cost of medical care and the production cost of farm animal products.

(5 Marks each)
(Total Marks 10)



Section III
Part C - Essay Questions

Answer only three questions including question no.1

01. Production function of a firm is given below. In this firm (wage rate) $w = 20$,
(price) $p = 10$, (rental) $r = 40$.

$$Q = 30K^{0.4}L^{0.3}$$

- I. If (Capital) $K = 20$ find the optimum level of labor during the short run.
- II. Find the maximum profit during the short run.
- III. Find the production equilibrium during the long run of this firm if they are going to achieve output equal to 2000 ($Q = 2000$) by minimizing cost.
- IV. What will happen to the above production equilibrium, if wage rate (W) increases up to 30 (if $W = 30$).
- V. Derive the Marginal Production of Labor (MP_L), Marginal Production of Capital (MP_K) and Marginal Rate of Technical Substitution ($MRTS$) functions.
- VI. What can you say about the returns to scale of this firm?

(5 Marks each)
(Total Marks 30)

02. "Modern entrepreneurship is all about value addition to traditional products and services that address the sophisticated needs of today's customer who is constantly look for high quality, low cost products that are delivered sensitively and on time".
Make your comments on the preceding statement.

(Total Marks 10)