Uva Wellassa University
Faculty of Management
Year 1 Semester 1 Examination – January 2009
EMG 102 - 0 Introductory Economics

Time : **One hour and Forty minutes**
Calculators can be used

Index No.

Total Marks 70

Part C
Essay Type Questions
Answer Three Questions only

Total Marks 60

01. Akila's demand for fish is: Q_A=12-3P. Bimal's demand for fish is: Q_B=16-4P. Chatuni's demand for fish is: Q_C=20-5P. Where Q is the Kgs of fish, P is the price of fish per Kg.

(1) Graph each person's demand curve.

(2) If Akila, Bimal and Chatuni are the only people living in Ambalangoda, what is the total market demand for fish in Ambalangoda Village? Give the equation and graph the total demand curve.

(3) A neighbor village, Balapitiya, always catches more fish than it can consume. Since the location is extremely good, the cost for Balapitiya to catch fish is zero. Balapitiya always shares fish with Ambalangoda, allowing people of Ambalangoda to take as many fish as they want for free. However, for some reasons Balapitiya decides to charge Ambalangoda Rs. 1.00 on each Kg of fish from next year.
(a) How will Ambalangoda social surplus change next year compared to before?
(b) How much will Balapitiya gain in revenue from the charge next year?

(20 marks)

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d) Find the new equilibrium level of output.
e) What is the export expenditure multiplier (income multiplier) in this case?
f) Is the government running a budget surplus or deficit at this level of output?

(20 marks)

04. Suppose a firm faces a cost function of C = 8 + 4q + q2

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.

(20 marks)

05. Write short notes on any **Four** of the followings

i. Production Possibility Frontiers
ii. Weaknesses in National Income Accounting
iii. Balance of Payments
iv. Different measures of Money
v. Price elasticity of Demand
vi. Production Functions
v. Consumer Surplus and Producer Surplus

(20 marks)