

Uva Wellassa University
Faculty of Science and Technology
Bachelor of Science in Industrial Information Technology
FIRST YEAR SECOND SEMESTER EXAMINATION – DECEMBER 2016/JANUARY 2017
IIT 131 - 3 Fundamentals of Economics



Instructions to candidates:

No. of pages : Five pages (05)
No. of questions : Twenty (20) MCQs
 : Six (06) Essays
Time : Three (03) Hours
Marks allocated : 100 Marks

Index No:

--

Answer **any Five (5)** questions including **question number 01**.

Do not remove the question paper from the exam hall

(1).

Mark the correct answer on the MCQ answer sheet, **1** mark for each correct answer.

(01).

(02).

...

(Total 20 marks)

(02.)

- a) Briefly explain the term “Economics” (2 marks)
- b) Discuss the importance of “Opportunity Cost” in decision making using graphs where necessary (6 marks)
- c) Differentiate “Market Economy” from “Centrally Planned” system (4 marks)
- d) “An un-attainable point of production (in a PPF) can be achieved by adding value”, Do you agree with this statement? Discuss using graphs where necessary. (8 marks)

(Total 20 marks)

(3).

- a) Define Demand and Supply (3 marks)
- b) Discuss the factors affecting demand and supply (4 marks)
- c) What are *Ceteris Paribus*? Explain why they are important in studying market demand (3 marks)
- d) State the “Demand Law” (2 marks)
- e) Use hypothetical data and prepare a Demand Schedule based on the demand law (4 marks)
- f) Derive a Demand Curve using above Demand Schedule (4 marks)

(Total 20 marks)

- (4).
- a) Explain why government is getting involved in price controls (3 marks)
 - b) Discuss the effect of Price Ceilings using graphs where necessary (7 marks)
 - c) “Tax is a necessary evil in an economic system” Critically evaluate this statement using graphs (10 marks)

(Total 20 marks)

- (5).
- a) “Firms will exit from industry if they cannot recover at least Average Variable Cost (AVC) in the short run”. Show this in a graph (6 marks)
 - b) Explain the reason to exit from the industry (4 marks)
 - c) Is the above statement always true? Explain your answer (2 marks)
 - d) Discuss the long run and short equilibriums of production of perfectly competitive market using graphs where necessary (8 marks)

(Total 20 marks)

- (6).
- (a). “Rapid development of IT industry is necessary for the development and growth of the country”
Do you agree with this statement? Justify your answer. (10 marks)
 - (b). Briefly explain the impact of Budget Proposal 2017 on IT industry in Sri Lanka (10 marks)

(Total 20 marks)

- (7).
- Write short notes on **five (5)** of the following (4 marks for each)
- (a). Production Possibility Frontiers
 - (b). Production functions
 - (c). Assumptions of Perfect Competition
 - (d). Monopolistic competition
 - (e). Weaknesses in National Income Accounting
 - (f). Study of Macroeconomics
 - (g). Trade Deficit
 - (h). Money Multiplier

(Total 20 marks)