SLIATE

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SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION
(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

**Higher National Diploma in Quantity Surveying
First Year, First Semester Examination – 2017
Quantity Surveying – QS11022 - Economics**

Instructions for Candidates:
Answer **four** questions only

No. of questions : 06
No. of pages : 04
Time : 02 hours

Question 01

I. What are the main economic problems? (5 marks)

II. How macroeconomics differs from microeconomics? (5 marks)

III. Explain "scarcity" of resources existing in the society when satisfying unlimited wants of its members. (5 marks)

IV. Draw production possibility curves for the following economic scenarios

      I. Resources have alternative usages (5 marks)

      II. Technology of the country has developed (5 marks)

(25 Total marks)

Question 02

I. Explain the features of the following market structures.

      a. Oligopoly market

      b. Duopoly market (5 marks)

II. What do you mean by barriers to entry/exit in any market structure? (5 marks)

III. Compare and contrast perfect competition market and monopolistic competition market structures. (5 marks)

IV. If the price of a daily newspaper increases from Rs 50 to Rs 60, while the daily sales falls from Rs 50 000 to Rs 30 000, calculate the Price elasticity of demand value. (5 marks)

V. Graphically show the behavior of short run average cost curves. (AFC, AVC, ATC and MC)

(5 marks)

(25 Total marks)

Question 03

I. What are the determinants of demand? (5 marks)

II. Define law of supply theory. (5 marks)

III. Calculate equilibrium price and quantity for the following market.

a. $Qd = 100 - 4p$

b. $Qs = -12 + 3p$ (5 marks)

IV. Find the consumer surplus in equilibrium. (5 marks)

V. "There are some government interventions for economic activities". What do you mean by "Price floor" and "price celling" in such economic activities? (5 marks)

(25 Total marks)

Question 04

I. What does "indifference curve" measure? (5 marks)

II. Write five (05) characteristics of indifference curves. (5 marks)

III. Draw suitable diagrams of market equilibrium for the following scenarios.

a. Demand increasing than supply decreasing

b. Demand decreasing than supply deceasing

(5 marks)

IV. Define the following terms.

a. Total Revenue (TR)

b. Variable cost (VC)

c. Marginal cost (MC) (5 marks)

V. Fill in the table with suitable values. (5 marks)

Qty	TFC	TVC	TC	AFC	AC	MC
0			20			
1		30				
2		38				
3		40				
4		44				

(25 Total marks)

Question 05

I. What do you mean by elasticity? (5 marks)

II. What are the determinants of demand elasticity? (5 marks)

III. Team of economists has done a market research regarding price elasticities of demand of goods which consumers use for their day today needs. Followings are the calculated figures of elasticity.

    a. Zero (0)

    b. 0.6

    c. ∞

    d. 1

    e. 28

Categorize the above price elasticities. (5 marks)

IV. Followings are some values calculated for **income** elasticities of some goods available in market

    a. -3

    b. 0.2

    c. 25

What are the economic terms you use to identify above goods? (5 marks)

V. 'If the market price of an item is above the equilibrium price, there is an excess supply (surplus) in the market.' Explain from this condition to return to the equilibrium price.

(5 marks)

(25 Total marks)

Question 06

Explain only **five** of the following terms with appropriate examples.

      I.   Opportunity cost

     II.   Indirect cost

    III.   Cross elasticity of a good

    IV.   Envelop curve

     V.   Government taxes

    VI.   Government subsidies

   VII.   Inferior goods

  VIII. Capital goods

(5 x 5 = 25 marks)

4