



ADVANCED CERTIFICATE IN ENTREPRENEURSHIP & SMALL BUSINESS
MANAGEMENT (ESBM)

079

AFC 2308 - INTRODUCTION TO ECONOMICS
FINAL EXAMINATION - 2023/2024
DURATION – TWO HOURS (02)

DATE: 10th AUGUST 2024

TIME: 1.30 p.m. – 3.30 p.m.

Instructions:

- This question paper consists of five (05) questions. Answer four (04) questions.
- Please write your Index Number in the space provided in the answer sheet.
- This question paper consists of three (03) typed pages
- Attach the answer sheets to your answer booklet.
- All questions carry equal marks (25 marks each)
- The use of non-programmable calculators is permitted

Question No. 01.

- i. Using an example, show that the opportunity of a commodity is increasing. (07 Marks)
- ii. How can the following scenarios be represented on a Production Possibility Frontier Curve?
 - a. An increase in resources allocated for social welfare.
 - b. An increase in the productivity of resources used to produce one type of product, due to efficient management.(5 Marks x 2 = 10 Marks)
- iii. Briefly explain the factors that determine the level of output of an economy at any given time. (08 Marks)

Question No. 02.

- i. What is Law of Demand? Briefly explain (05 Marks)
- ii. What is the difference movement along the demand curve and shift in the demand curve? (05 Marks)
- iii. Assuming supply remains constant, explain how the following scenarios affect the equilibrium market price of the respective product.

- a. Due to an economic recession, household income drops significantly. How does this affect the market price of chicken? Briefly explain
- b. The price of imported liquor increases due to price adjustment based on inflation. How does this affect the market price of imported liquor? Briefly explain
- c. Media coverage has identified the potential presence of cancer-causing substances in instant noodles as a health concern. How does this affect the market price of instant noodles? Briefly explain

(5 Marks x 3 = 15 Marks)

Question No. 03.

- i. What is market equilibrium? Is it a true market situation or an indicator of the direction of the market? Briefly explain (07 Marks)
- ii. Demand and supply equation for a famous sports denim brand 'Harris' is given below.

Demand Equation: $Q_d = 50 - 5p$

Supply Equation: $Q_s = -25 + 5p$

- a. Find the equilibrium price and the quantity of the product
- b. Calculate the price elasticity of demand at the equilibrium price of the product
- c. Considering the recent performance of the industry, the government Sri Lanka has decided to grant a subsidy for firms in the industry. How would this impact the equilibrium price of the product?

(18 Marks)

Question No. 04.

- i. What is Macroeconomics? How Macroeconomics differs from Microeconomics? (07 Marks)
- ii. The following data pertaining to Sri Lankan economy for 3rd Quarter of 2023 is given below. All values are in LKR billions.

C = Personal Consumption Expenditures of Rs. 4,100 billion

I = Gross Private Domestic Investment of Rs. 2,300 billion

G = Government Consumption Expenditures of Rs. 470 billion

X = Exports of Goods and Services of Rs. 2,400 billion

M = Import of Goods and Services of Rs. 2,600 billion

- a. Calculate the Aggregate Demand (AD) for the Sri Lankan economy using the above data

(05 Marks)

- b. Briefly discuss the factors that may have influenced the level of Gross Private Domestic Investment (I) during the period of economic crisis in Sri Lanka. (07 Marks)
- c. What is the value of Sri Lanka's net exports of goods and services in Q3 2023? What are the key economic implications of this trade balance for the Sri Lankan economy? (06Marks)

Question No. 05.

- i. What is Entrepreneurship? How it differs from Management? (07 Marks)
- ii. What is economic growth? What can you say about the economic growth in Sri Lanka over the past two years? Briefly discuss with reference to factors affecting economic growth. (10 Marks)
- iii. What is meant by Unemployment? Explain why full employment is considered as an important objective of an economy (08 Marks)

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