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<b>Diploma in Quantity Surveying</b>		
<b>NVQ Level 05 –Semester I</b>		
<b>General Economics</b>	<b>F45C002M07</b>	<b>Three Hours</b>
<b>Answer any five (05) questions only</b>		

Q1.

In the recent past, a newspaper article revealed that one of the milk powder brands in the market had some issues in its production. This article also mentioned that it can badly effect on human health condition.

- a) Explain the effects of this situation on the demand of that particular milk powder brand?  
(4 marks)
- b) Calculate the equilibrium price and quantity of the milk powder brand before the article published in the news paper, using the following equations. (4 marks)  
 $Q_d = 550 - 15p$   
 $Q_s = -50 + 10p$
- c) After the newspaper article published, a new demand curve is given by  $Q_{D1} = 400 - 15p$ , calculate the new equilibrium price, quantity and calculate the value of consumer surplus. You may use a graph, if it is necessary. (6 marks)
- d) “Maximum price legislation is imposed by the government to protect the consumers”. Do you agree with this statement? Examine your answer with using diagrams, where it is necessary. (6 marks)

Q2.

- (i) Define the factors of production and state the sources for each factors of production. Briefly explain how to return the resources to each factors of production. (4 Marks)
- (ii) Michael Construction Private Ltd., is a construction company based in Colombo and plans to invest on construction projects in Kandy. As a consultant advisor of that company, how do you advice the company to make a decision in this regard using pre assessing techniques. (5 Marks)
- (iii) “Public Private Partnerships are highly encouraged for Sri Lankan economy rather than the traditional government approaches in the project implementation”, Justify the statement in your words. (5 Marks)
- (iv) Asian Construction Private Limited received two road construction projects such as project A and B. With the available resources, the company is unable to implement both projects together. Therefore, the company will have to give up one of the road constructions projects. Using the below mentioned information, which is the best project to be taken over by the company and explain your answer in the selection of the best project.
  - Project A - losing production is higher than acceptance production
  - Project B - losing production is lower than acceptance production (6 Marks)

Q3.

- (i) Briefly explain the major approaches of utility theory. (2 Marks)
- (ii) Briefly describe about the law of Diminishing Marginal Utility. (2 Marks)
- (iii) Demonstrate the concepts of Total utility and Marginal utility using a graph to clarify the answer. (4 Marks)
- (iv) Differentiate consumer surplus and producer surplus. (4 Marks)
- (v) Based on the given information, appraise the optimum combination of goods which maximize customer satisfaction.

Quantity	Tu <sub>x</sub>	Tu <sub>y</sub>
1	3000	10500
2	4500	14000
3	5500	17000

4	6000	18500
5	6300	19250
6	6300	20000

Assumption: prize of tile (x) = Rs. 150 and price of Granite (y) = Rs. 400.

(8 Marks)

Q4.

- (i) Define the point price elasticity and illustrate the price elasticity graphs for the following situations. Perfectly inelastic, unitary elastic and perfectly elastic. (4 Marks)
- (ii) Briefly explain the long-run production theory with the support of a graph. (3 Marks)
- (iii) Explain the producers' behaviours using the concept of short-run production. (4 Marks)
- (iv) Using the law of diminishing Marginal returns, illustrate a graph for total production verses variable inputs assuming other inputs are remained constant. (4 Marks)
- (v) Complete the following table.

Output (Q)	Total Cost (TC)	Total Fixed Cost (FC)	Total Variable Cost (VC)	Average fixed Cost (AFC)	Average variable Cost (AVC)	Average Cost (AC)	Marginal Cost (MC)
0	500	500					
1	650	500					
2	850	500					
3	1000	500					
4	1400	500					

(5Marks)

Q5. "A market is a place where buyers and sellers meet each other".

- i) Define the different market structures with suitable examples. (4 Marks)
- ii) Differentiate the characteristics of any two-market structures. (4 Marks)
- iii) How can, a market with a single owner be formed? Support your answer using examples. (4 marks)

- iv) Write down which market structure is considered to be a price taker and which market structure is considered to be a price maker? Explain your answers. (4 marks)
- v) Economies of scale are considered as a barrier to enter into a pure monopoly market. Describe your answers using real live examples. (4 marks)

Q6.

- (i) Briefly explain the human needs and wants with the examples. (3 Marks)
- (ii) Examine what are the basic economic activities using examples and explain them. (3 Marks)
- (iii) Differentiate Microeconomics and Macroeconomics? State two advantages of Microeconomics. (4 Marks)
- (iv) How will the imposition of indirect taxes for a particular good affect the demand and supply of it? Explain your answer using a diagram. (5 marks)
- (v) “Minimum price control law and regulation are imposed by the government to protect the Producers” argue this statement using graph where it is necessary. (5 Marks)