

**Uva Wellassa University**

Faculty of Management



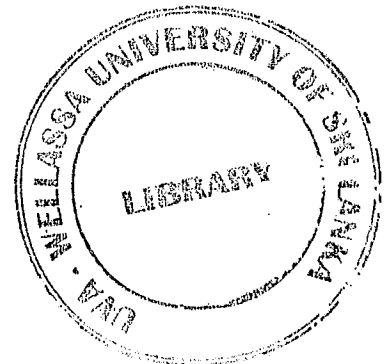
Degree of Bachelor of Business Management (BBM) in Entrepreneurship and  
Management

Degree of Bachelor of Business Management (BBM) in Hospitality Tourism and Events  
Management

*FIRST YEAR FIRST SEMESTER EXAMINATION – JUNE/JULY 2017*

ENM171-2/HTE162-2 Introductory Economics

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**Part C – Essay Questions**

**Answer only Two (02) Questions in Part C**

Marks allocated for Part C is Fifty (50)

**01.**

- i) Briefly explain three (03) basic problems that any economy has to face. (06 Marks)
- ii) Illustrate why economic systems are different and compare characteristics of different economic systems. (10 Marks)
- iii) Graphically explain three (03) alternative Opportunity Cost situation. (09 Marks)

**(Total Marks - 25)**

**02.**

- i) What are the three (03) factors need to be fulfill to have an effective demand? (03 Marks)
- ii)  $Q_d = 100 - 2p$ ,  $Q_s = -10 + 0.5p$  Calculate the Equilibrium Price and Quantity. (06 Marks)
- iii) You are given following details of product X, Y and Z in an economy.

Price of X	Quantity Demanded of Y	Quantity Demanded of Z
200	20	60
220	15	80

State the complementary effect and substitute effect of these three products by calculating the Cross Elasticity of Demand. (06 Marks)

- iv) Discuss different methods of government price controls and its' impact on market equilibrium. (10 Marks)

**(Total Marks - 25)**

**03.**

- i) Define the term "National Income". (04 Marks)
- ii) Briefly explain Circular flow of Income in two Sector economy. (06 Marks)



iii) Hypothetical data on the national accounts of an economy are given below.

(at factor cost price)	(Rs. Million)
Agriculture, Forestry and Fishing	4,200
Mining and quarrying	1,600
Indirect taxes	1,800
Subsidies	200
Electricity and water	800
Wholesale and retail trade	2,200
Manufacturing industry	3,800
Financial, business services	1,400
Transport and communication	850
Construction	1,850
Net factor income from abroad	-600

You are required to calculate,

- a) Gross Domestic Production (at factor cost price). (05 Marks)
- b) Gross National Production at factor cost price. (05 Marks)
- c) Gross National Production at current market price. (05 Marks)

(Total Marks -25)

04.

Write short notes on followings.

- i) Price Elasticity of Demand. (05 Marks)
- ii) Law of Returns to Scale. (05 Marks)
- iii) Determinants of Demand. (05 Marks)
- iv) Different Market Structures in the economy. (05 Marks)
- v) Law of Diminishing Marginal Returns. (05 Marks)

(Total Marks - 25)