



Department of Education, Sabaragamuwa/weekly school

week- November 4

Subject-Economics

Grade-13

Prepared by -
Zonal Education Office, Rathnapura.

1. Let country A's endowment of labour equal 200 units and country B's endowment of labour equal 200 units. The labour requirement for the production of one unit of good X and good Y in each country is given in the table below.

Country A		Country B	
Good	Labour units	Good	Labour units
X	5	X	4
Y	4	Y	8

- (a) Draw separately production possibilities frontier for each country and label them correctly.
 - (b) Which country has an absolute advantage in which good? Explain your answer.
 - (c) Which country has a comparative advantage in which good? Explain your answer.
2. State any two sources of comparative advantage.
 3. Name the main components of the current account of the Balance of Payments statement.
 4. Distinguish between nominal exchange rate and the effective exchange rate.
 5. What are the arguments for free trade?