



University of Kelaniya – Sri Lanka
Centre for Distance and Continuing Education
Bachelor of Arts (General) Degree First Examination (External) – 2012/13
2015 December – 2016 February
(New /Old Syllabus)

Faculty of Social Sciences

Economics - ECON- E1015

Principles of Economics

Answer any five (05) questions

No. of questions : 08

Time : 03 Hours

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01. a) Briefly Describe the origin and evolution of the subject of economics. (12 marks)
- b) Using examples, explain the relationship between 'Scarcity' and 'resource Allocation' (08 marks)
02. a) Explain what is meant by a 'Production Possibility Frontier' and describe under what assumptions a Production Possibility Frontier is drawn. (06 marks)
- b) Distinguish between 'Positive economics' and 'Normative economics' ? (06marks)
- c) Describe the most important economic goals of any economic system and explain how a market economy attempt to achieve such goals. (08marks)
03. a) Explain the difference between the principles of consumer equilibrium of 'private goods' and 'public goods' (08 marks)
- b) Show the relationship between the concept of marginal utility and the demand curve. (06marks)
- c) Explain why is the "long-run average cost curve" called "Envelop curve" (06marks)
04. a) With the help of appropriate diagrams explain the effects of the following government involvements in to markets.
- i. An import tax on a certain commodity (03marks)
- ii. An introduction of a quota (03marks)
- iii. A Maximum price controls (03marks)

- b) The demand and supply functions of commodity 'x' are given below;
 $Q_d = 3000 - 2P_x + 3P_y - 0.2Y$ and $Q_s = -200 + 3P_x$
- i Calculate the equilibrium price and quantity of goods 'x' when $P_y = 20$ and $Y = 6000$ (04marks)
- ii What would be the new equilibrium price and quantity if P_y is increased to 25 and Y is increased to 8000 (03marks)
- iii Find the cross- demand elasticity and income elasticity of demand. (04marks)
05. a) What are the main differences between the short run and long run analysis of Theory of Production. (05 marks)
- b) Using appropriate diagrams show the relationship between 'Revenue curves' and 'Cost curves'. (06 marks)
- c) Explain why economists argue that the monopoly market structure causes economic inefficiency. (06 marks)
06. a) What are the differences and similarities between 'Monopoly' and 'Oligopoly' market structure? (10 marks)
- b) How does the monopolistic competition market structure differ from perfect competition and monopoly. (10 marks)
07. a) Using an appropriate graph, show how the equilibrium level of national income is determined in an open economy. (10 marks)
- b) How do imports and exports in an open economy affect national income ? (05 marks)
- c) What is meant by 'multiplier'? Describe how does the multiplier work. (05 marks)
08. a) Describe the components of the demand for money and their relevance. (08 marks)
- b) Explain the role of the Central Bank in an economy. (06 marks)
- c) What do you understand by 'open market operations'? Explain. (06 marks)
