



GENERAL DEGREE EXAMINATION IN ARTS (EXTERNAL) - 2017

ECG 1 Economics I (Old Syllabus)

Instructions:

- Answer any **FIVE (05)** questions selecting at least two from each part.
- The total number of questions in this paper is 10.
- Marks allocated for each question indicated accordingly.
- Graph papers are provided and calculators are allowed.
- Time allowed: **Three (03) Hours**

Part I

- i. Distinguish the fundamental difference between the cardinal utility approach and ordinal utility approach (10 marks)
  - ii. Briefly explain the meaning of "marginal utility" (05 marks)
  - iii. What is the relationship between the total utility and the marginal utility? Show graphically. (05 marks)
- i. Define the 'production function' (04 marks)
  - ii. Explain the relationship between the production function and the cost structure of a firm (08 marks)
  - iii. Explain the effect of the utilization of improved technology on the production function and the cost structure of the firm (08 marks)
- i. Explain the objectives for imposing a maximum price control and minimum price control (10 marks)
  - ii. Explain in which situation the price floor and price ceiling become ineffective (10 marks)
4. A consumer whose monthly income is Rs. 36.00 wants to buy two commodities, X and Y. The total utility functions of X and Y are given by the following equations respectively.

$$TU_x = 50Q_x - 5Q_x^2$$

$$TU_y = 32Q_y - 4Q_y^2$$

Assume that the price of X is Rs. 5.00 and the price of Y is Rs. 8.00

- i. Calculate the consumer's equilibrium purchases of X and Y commodities (06 marks)
- ii. How do you explain the meaning of this equilibrium? (04 marks)
- iii. Calculate the marginal utility of money at the equilibrium (04 marks)
- iv. Assume that the price of X has increased by Rs. 2.00 while other things remain the same. What should be the consumer's new equilibrium purchases? (06 marks)



5. Write short notes on any four of the following;

- i. The income and the substitution effects of the price change for normal goods
- ii. Derivation of equilibrium condition for a perfectly competitive firm
- iii. Diminishing marginal product of a firm
- iv. Economies of scale
- v. The Price Consumption Curve

(05 marks each)

### Part II

6. You are given the following information with regard to an open economy (values in Rs. mn)

Consumption function	$C = 200 + 0.75Y^d$
Private investment	$I = 250$
Government Expenditure	$G = 200$
Exports	$X = 50$
Direct Tax Function	$T = 0.25Y$

- i. Determine the equilibrium level of national income of this economy (05 marks)
- ii. Estimate the income multiplier of this economy (05 marks)
- iii. Now assume that import goods are introduced in this economy and the import function is given below:

$$\text{Import function } M = \frac{1}{16}Y$$

- iv. Calculate the new equilibrium level of national income of the economy (05 marks)
- iv. Calculate the amount of the balance of trade at the new equilibrium (05 marks)

7. i. Distinguish between frictional and structural unemployment (10 marks)
- ii. What structural problems do you identify in the Sri Lankan economy in solving the unemployment problem? (10 marks)

8. i. Discuss the importance of the concept of 'broad money' in examining the money supply of a country (05 marks)
- ii. Explain the effects of the following on money supply taking into account the concept of 'money multiplier'

- a. Open market operation policy of the Central Bank (05 marks)
- b. Discount rate policy of the Central Bank (05 marks)
- c. Policy of legal reserve requirements of the Central Bank (05 marks)

9. i. Briefly explain the comparative cost theory of international trade and comment on its applicability to developing countries (12 marks)
- ii. Briefly outline the advantages and disadvantages of fixed exchange rate system (08 marks)

10. Write brief notes on any four of the following;

- i. Motives of demand for money
- ii. Devaluation and depreciation of a currency
- iii. The Phillips Curve
- iv. International Monetary Fund (IMF)
- v. Current account and capital account of the Balance of Payments

(05 marks each)

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**General Degree Examination in Arts (December 2017)**

**Economics II**

**ECG 2 Comparative Economic Development**

Answer any **FIVE** (05) questions.

The total number of questions in this paper is 08.

Marks allocated for each question indicated accordingly.

Time allowed: Three Hours (03)

1. Critically examine the view that it was the expansion of trade, the commutation and the Plague (Black Death) that caused the break-up of the manorial system in Great Britain. (20 marks)
2. Explain the significance of agrarian transformation in industrial development of any selected European country. (20 marks)
3. "The term 'Industrial Revolution' does not mean a sudden change but it does ultimately mean a fundamental change in the character of the economy of a country". Discuss this statement with reference to Great Britain during the eighteenth and early nineteenth centuries. (20 marks)
4. Compare and contrast the role of the state in economic development in Great Britain with that of continental Europe. (20 marks)
5. "Zollverein paved the way for the development of domestic market in Germany". Discuss and comment. (20 marks)
6. Examine the main features of the New Economic Policy introduced by Lenin in Soviet Russia and its impact on the Russian economy. (20 marks)
7. Describe the major demographic changes that took place in France during the nineteenth century and explain how it impacted on its industrial development. (20 marks)
8. Write short notes on any **Four** of the following:  
(i) The Second Enclosure Movement  
(ii) War Communism  
(iii) The Corn Law of 1815  
(iv) Mercantilism  
(v) Adam Smith's Doctrine of the 'Invisible Hand' (5 X 4 = 20 marks)





**General Degree Examination in Arts (December 2017)**

**Economics III  
ECG 3 Applied Economics**

Answer any **FIVE** questions.

The total number of questions in this paper is 10.

Marks allocated for each question indicated accordingly.

( Three Hours )

1. (a) Outline the major economic reforms implemented in Sri Lanka in 1977 and in 2005. (10 marks)
- (b) Discuss what impact these reforms have had on balance of trade and foreign direct investment in Sri Lanka. (10 marks)
2. (a) Describe the main characteristics of poverty in Sri Lanka. (08 marks)
- (b) What suggestions would you propose to reduce poverty in Sri Lanka? Explain. (12 marks)
3. (a) 'Population growth rate of Sri Lanka is lower than that of the other developing countries'. Do you agree with this statement? Give reasons for your answer. (10 marks)
- (b) Examine the economic effects of population growth in Sri Lanka since independence. (10 marks)
4. (a) Discuss the unemployment trends in Sri Lanka since 1960. (10 marks)
- (b) What are the salient features of unemployment in Sri Lanka? (10 marks)
5. (a) What are the reasons for continuous increase in budget deficits in Sri Lanka? (07 marks)
- (b) State reasons for the lack of government revenue to finance the budget deficits in Sri Lanka. (06 marks)
- (c) Describe the macroeconomic effects of large budget deficits in Sri Lanka. (07 marks)



6. Discuss the important steps taken by the Sri Lankan government since independence to promote domestic agriculture. (20 marks)
7. (a) Describe the post - 1977 industrial policy in Sri Lanka. (08 Marks)  
(b) Discuss the impact of this policy on production and export structure of the country. (12 Marks)
8. (a) Outline the importance of the plantation sector in Sri Lanka. (06 marks)  
(b) Discuss the major problems faced by the plantation sector in Sri Lanka since 1977. (14 marks)
9. Examine the measures taken by Sri Lankan government to solve the balance of payments problem after 1977. (20 marks)
10. Write short notes on any **four** of the following with reference to Sri Lanka: (05 Marks each)
- (a) Problems of aging population
  - (b) Income inequality after 1990
  - (c) Exchange rate policy since 1977
  - (d) Social Welfare Policy after 1977
  - (e) Trade policy after 1977
  - (f) Components of Balance of Payments account
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