



# UNIVERSITY OF PERADENIYA

## CENTRE FOR DISTANCE AND CONTINUING EDUCATION



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கலைத்தேர்வுப் பரீட்சை (வெளிவாரி-புதிய பாடத்திட்டம்) 100 வது தேர்ச்சி மட்டம் - 2020  
Bachelor of Arts (External OLD Syllabus) Examination 100 Level - 2020

### (ECG 1: Economics I)

#### Instructions:

1. Answer five (05) questions selecting at least two from each part.
2. The total number of questions in this paper is eight (08).
3. Marks allocated for each question is indicated accordingly.
4. Graph papers are provided and calculators are allowed.
5. Time allowed: **Three (03) hours.**
6. Total Marks: 100

#### Part I

1. i What is meant by the terms of utility and marginal utility? (5 marks)  
ii State the law of diminishing marginal utility. (5 marks)  
iii You are given the following marginal utilities of good X and good Y obtained by a consumer by consuming goods X and Y given that price of X is Rs 2 and price of Y is Rs 3.

units	MU <sub>x</sub> (utils)	MU <sub>y</sub> (utils)
1	20	24
2	18	21
3	16	18
4	14	15
5	12	9
6	10	3

- a. Suppose the consumer has income of Rs 24 to spend on these two goods. Find his equilibrium purchases of X and Y. (5 marks)  
b. Derive the marginal rate of substitution of X for Y (MRS<sub>XY</sub>) and calculate the value of MRS<sub>XY</sub> at the equilibrium. (5 marks)
2. i Distinguish cardinal utility and ordinal utility (4 marks)  
ii Define the indifference curve and state the properties of indifference curves. (4 marks)  
iii Using an indifference curve, illustrate the consumer equilibrium. State the condition for the equilibrium. (4 marks)  
iv Using the indifference curve approach, derive the demand curve for a good. (4 marks)  
v Differentiate substitution effect and income effect of a price change. (4 marks)

3. i What is meant by the production function? Explain. (5 marks)
  - ii Describe the relationship between average product of labour and marginal product of labour. (5 marks)
  - iii Differentiate between the terms of the law of diminishing returns and returns to scale. (5 marks)
  - iv Describe the relationship between the average and marginal cost curves. (5 marks)
4. i State the basic characteristics of a perfectly competitive market. (5 marks)
  - ii Draw a graph to depict the short run equilibrium of a perfectly competitive firm. (5 marks)
  - iii Give an example of a monopolistic firm and describe why you consider that firm as a monopolist. (5 marks)
  - iv Briefly describe social welfare and resource allocation in monopoly market. (5 marks)

### Part II

5. i What do you understand by the equilibrium level of national income? Explain. (4 marks)
  - ii An economy is characterized by the following functions;
 

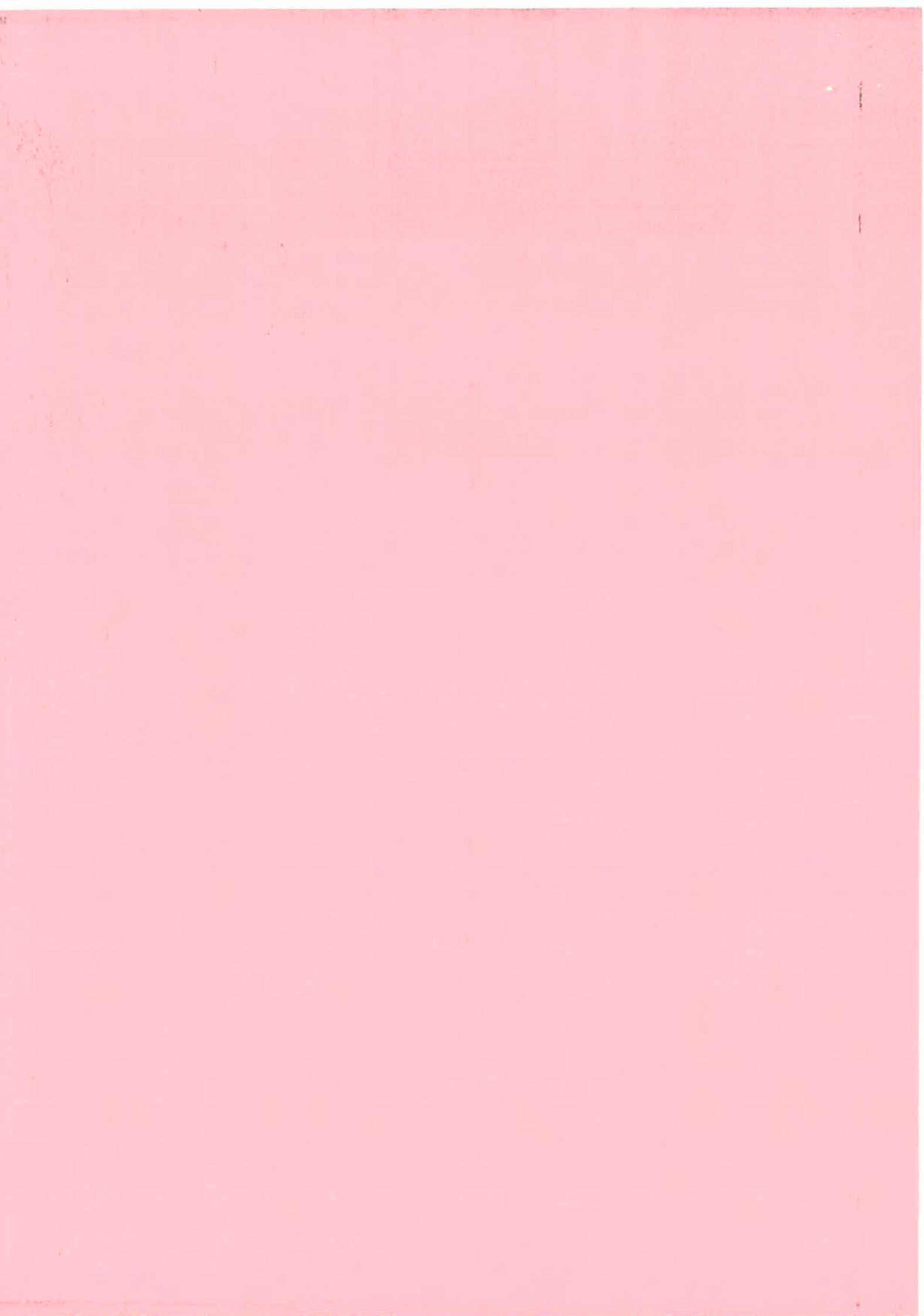
Consumption	$C = 60 + 0.8Y_d$
Disposable income	$Y_d = Y - T$
Investment	$I = 100$
Government expenditure	$G = 100$
Tax	$T = 100$
Exports	$X = 50$
Imports	$M = 70$

    - (a) Determine the equilibrium level of income (4 marks)
    - (b) Find saving function and draw it in a graph (4 marks)
    - (c) Find the tax multiplier and interpret it. (3 marks)
    - (d) Define marginal propensity to consume (MPC) and show the effect of a decrease in the MPC to 0.7 on the equilibrium level of income. (5 marks)
6. i What is money supply and what determines the money supply? Explain. (5 marks)
  - ii Explain the relationship between high powered money and money multiplier. (5 marks)
  - iii What is monetary policy? What are the objectives of monetary policy? (5 marks)
  - iv What do you mean by fiscal deficit? Explain (5 marks)
7. i What is inflation? How is it measured in Sri Lanka? (5 marks)
  - ii State the main factors that cause cost push inflation? (5 marks)
  - iii How does inflation affect distribution of income in an economy and those who earn fixed incomes? Explain. (5 marks)
  - iv Is inflation and unemployment interdependent in an economy? Explain. (5 marks)

8. Write short notes on the following.

- i Nominal exchange rate and real exchange rate
- ii Fiscal policy and monetary policy
- iii Phases of business cycles
- iv Money multiplier

(5 marks each)





General Degree Examination in Arts (External Old Syllabus) - 2020

**Economics II**  
**ECG 2: Comparative Economic Development**

**Instructions:**

There are **Eight (08)** questions in this paper

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

Time allowed: Three **(03)** hours

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1. i. What do you understand by the term 'feudalism'? (05 Marks)  
ii. Critically examine the forces which led to the downfall of the feudal system in England. (15 Marks)
  2. "British economic development represented a more harmonic relationship between agriculture and industry." In light of this statement discuss the relative contributions of agriculture and industry in economic growth in Britain during the 19<sup>th</sup> century. (20 Marks)
  3. What differences and similarities can be identified between the process of economic growth in Great Britain and that of Germany in the 19<sup>th</sup> century? (20 Marks)
  4. i. Explain the main features of Zollverein in Germany. (05 Marks)  
ii. Discuss the main contributions of the Zollverein to the economic development of Germany through the expansion of international trade during the 19<sup>th</sup> century. (15 Marks)
  5. Discuss the major demographic changes in France in the 19<sup>th</sup> Century. (20 Marks)
  6. i. Outline the main features of the New Economic Policy (NEP) in Soviet Russia. (05 Marks)  
ii. Evaluate the impact of NEP in economic development of the country. (15 Marks)
  7. Soviet Collectivization had become detrimental to Russian agricultural development. Do you agree? Give reasons. (20 Marks)
  8. Write short notes on any **four** of the following topics  
i. The 'New Model of Trade Unions'  
ii. The policy of "laissez-fair"  
iii. The Cotton industry between 1760 and 1830  
iv. The Norfolk system  
v. Chartist movement (04 x 05 = 20 marks)
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General Degree Examination in Arts (External Old Syllabus) 2020

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.

(Time: Three Hours )

1. (i) Explain 5 (Five) 'Early advantages' Sri Lanka had at the time of independence in 1948. (05 Marks)
- (ii) Discuss the key characteristics of the economic development during the pre-1977 period in Sri Lanka. (15 Marks)
2. (i) Briefly explain five major economic policy reforms introduced by the government in 1977. (05 Marks)
- (ii) How did internal issues such as civil war and southern rebellion affect the economic performance after the 1977 reforms? (05 Marks)
- (iii) Does an increase in per capita real GDP mean the everyone in the economy is better than before? Why or why not? (10 Marks)
3. (i) Describe the main characteristics of poverty in Sri Lanka (08 Marks)
- (ii) Outline what actions may be useful to reduce poverty in Sri Lanka, based on known major characteristics of the poor. (12 Marks)
4. (i) Define the terms 'Working Age Population', 'Labour Force Participation Rate', and 'Unemployment Rate' as they are used in Sri Lanka. (06 Marks)
- (ii) Describe trends in Labour Force Participation Rate and Unemployment Rate for both males and females during the last two decades. (08 Marks)
- (iii) Discuss the constraints in increasing females Labour Force Participation Rate and give suggestions on what might work. (06 Marks)
5. (i) Identify five (5) major state interventions in agriculture, and briefly state whether those interventions were successful or not. (12 Marks)
- (ii) Evaluate the performance of agriculture sector by highlighting the issues and challenges. (08 Marks)
6. (i) Describe the main industrialization strategies under  
(a) Import substitution before 1977; and  
(b) Export promotion after 1977 (10 Marks)
- (ii) Compare the outcomes of import substitution and export promotion in terms of earning foreign exchange and industrializing the economy. (10 Marks)

7. (i) Briefly describe how the composition of Sri Lanka's tax revenue has changed since the early 1960s. (10 Marks)
- (ii) Discuss the macroeconomic effects of large budget deficits in Sri Lanka. (10 Marks)
8. (i) Discuss the reasons why Sri Lanka's current account in balance of payments is usually in deficit. (10 Marks)
- (ii) How important are the following factors in explaining Sri Lanka's trade balance? What would you recommend as policy changes, and why? (10 Marks)
- (a) Management of the exchange rate
- (b) Diversification of exports
9. Critically examine the impact of Covid – 19 on Sri Lankan economy. (20 Marks)
10. Write short notes on any **Four** of the following with reference to Sri Lankan economy: (05 Marks for each answer)
- (a) Per capita income
- (b) Youth unemployment
- (c) Poverty measurements
- (d) Structure of the population
- (e) Components of government expenditure
- (f) Samurdhi Program
- (g) Sustainable Development
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