



GENERAL DEGREE EXAMINATION IN ARTS (EXTERNAL) (August 2015)

ECG 1 : Economics I

Instructions:

- Answer **FIVE** 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 Hours**

Part I

1. A consumer whose monthly income is Rs. 84.00 wants to buy two commodities, X and Y. The total utility functions of X and Y are given by the following equations respectively.

$$TU_x = 92X - 2X^2$$

$$TU_y = 40Y - 2Y^2$$

Assume that the price of X is Rs.20.00 and the price of Y is 4.00

- Derive the equilibrium purchases of X and Y (8 marks)
 - Derive the marginal rate of substitution X for Y (MRS_{xy}) and calculate the value of MRS_{xy} at the equilibrium. (4 marks)
 - Calculate the marginal utility of money (MU_m) at the equilibrium (3 marks)
 - Suppose the monthly income of this consumer increased by Rs. 188/=, while other things remain the same. What should be the consumer's new equilibrium purchases of X and Y? (5 marks)
- 2.i. Explain the law of demand and its relationship with the demand curve (5 marks)
- Discuss the relationship between the law of diminishing marginal utility, and the law of demand (5 marks)
 - Explain the relationship between Total Utility and Marginal Utility. (5 marks)
 - Briefly discuss the fundamental difference between Ordinal and Cardinal utility approaches to consumer demand theory (5 marks)

3. Production function for a commodity X is given below

$Q = 10L^{0.4}K^{0.6}$ where Q: total output of X, L: the number of labor employed and K: the quantity of capital rented.

- Using above production function, derive the Marginal and Average product equations of labor and capital. (6 marks)
- Assume that price of labor is Rs.20.00, price of capital is Rs. 30.00 and budget constraint is Rs.1000/= Derive the optimum level of K and L the firm can hire at the equilibrium. (6 marks)
- Suppose that both inputs, labor and capital, are increased by 50%. Explain what will happen to the level of output? (4 marks)
- How do you explain the two coefficients/parameters (0.4 and 0.6) of inputs given in the production equation? (4 marks)



GENERAL DEGREE EXAMINATION IN ARTS (EXTERNAL) (August 2015)

ECG 2 Economics II

Instructions:

- Answer any **FIVE** questions.
- The total number of questions in this paper is 08.
- Marks allocated for each question indicated accordingly.
- Time allowed: **Three Hours**

1. "Modernity is an important stage in the history of economic development of Europe."
 - i) What is meant by modernity in the above statement? (04 marks)
 - ii) Briefly explain the main features of modernity in this context. (06 marks)
 - iii) Discuss the role of modernity in the economic development of Western Europe. (10 marks)
2. Discuss and evaluate the contributions of the agricultural revolution to the process of industrialization in Great Britain during the eighteenth and the nineteenth centuries. (20 marks)
3.
 - i) How suitable is the term 'Industrial Revolution' to describe the development process of the industrial sector in Great Britain since late eighteenth century? (Your answer should be adequately comprehensive) (10 marks)
 - ii) Briefly discuss the role and importance of the technological inventions in cotton industry in the industrial transformation of Great Britain. (10 marks)
4. "Zollverein paved the way for the development of a strong domestic market for Germany's own industrial products." Discuss. (20 marks)
5. Analyze the similarities / differences between the agricultural sectors of Great Britain and France during the nineteenth century. (20 marks)
6. Examine the major demographic changes that took place in France during the nineteenth century and state how it impacted on its industrial development. (20 marks)
7. Describe the main features of the New Economic Policy (NEP) introduced by Lenin in Soviet Russia and evaluate its impact on the Russian economy. (20 marks)
8. Write short notes on any **Four** of the following :
 - i) The Second Enclosure Movement
 - ii) The Corn Law of 1815
 - iii) War Communism
 - iv) Mercantilism
 - v) The 'Norfolk System'

(4 x 5 = 20 marks)



General Degree Examination in Arts (External) (August 2015)

**Economics 111
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. (i) Briefly explain the Sri Lanka's social welfare policy. (10 Marks)
(ii) Outline the importance of the social welfare programs. (05 Marks)
(iii) State five social development indicators. (05 Marks)
2. (i) Describe the post-1977 economic reforms in Sri Lanka with reference to: (10 Marks)
(a) Trade policy
(b) Exchange rate policy
(ii) Explain the impact of these reforms on the economy of Sri Lanka. (10 Marks)
3. (i) "There is a strong relationship between economic growth and poverty reduction". Do You agree with this statement? Give reasons for your answer. (10 marks)
(ii) Critically examine the role of Samurdhi program in alleviating the poverty of Sri Lanka. (10 marks)
4. (i) Briefly explain the differences between import substitution industrial policy and export promotion industrial policy. (08 Marks)
(ii) What are the policy measures taken by the Sri Lankan governments to promote the industrial sector after 1977?. (12 Marks)
5. (i) '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)
(ii) Write an essay on economic effects of age structure transition of population in Sri Lanka. (10 Marks)
6. (i) What is meant by 'unemployment'? (05 Marks)
(ii) Outline main reasons for high unemployment in Sri Lanka. (05 Marks)
(iii) "Since Sri Lanka's official unemployment rate is less than 5%, there is no unemployment problem in Sri Lanka." Critically discuss this statement. (10 Marks)
7. (i) Briefly explain the importance of the agriculture sector in Sri Lanka. (05 Marks)
(ii) What are policies implemented by the Sri Lankan government to promote domestic agriculture under the open economic policies? (10 Marks)
(iii) Briefly explain the problems faced by the Sri Lankan domestic agriculture sector today. (05 Marks)

8. (i) Describe present tax structure of Sri Lanka. (05 Marks)
(ii) Suggest reasons for the changes in the tax structure of Sri Lanka. (07 Marks)
(iii) Discuss the issues of Sri Lanka's fiscal policy. (08 Marks)
9. (i) What do you understand by the term 'overall balance' of the balance of payments? (05 Marks)
(ii) Outline the consequences of balance of payments problem in Sri Lanka. (05 Marks)
(iii) What are the policy measures taken by the Sri Lankan government to solve the balance of payments problem after 1977? (10 Marks)
10. Write short notes on any **four** of the following with reference to Sri Lanka. (05 Marks each)
(a) Devaluation of exchange rate
(b) Divi Neguma
(c) Land reforms in 1970s
(d) Role of banks in agricultural credit
(e) Export promotion zones
(f) Absolute poverty and relative poverty
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