



පේරාදෙණිය විශ්වවිද්‍යාලය  
பேராதனைப் பல்கலைக் கழகம்  
UNIVERSITY OF PERADENIYA



දුරස්ථ හා අඛණ්ඩ අධ්‍යාපන කේන්ද්‍රය  
தொடர் தொலைக் கல்வி நிலையம்  
CENTRE FOR DISTANCE AND CONTINUING EDUCATION

සාමාන්‍ය උපාධි පරීක්ෂණය (බාහිර) - 2016 අගෝස්තු  
GENERAL DEGREE EXAMINATION IN ARTS (EXTERNAL) - AUGUST 2016

### Economics I - ECG 1

- The total number of questions in this paper is 10
- Answer **FIVE** questions selecting at least two from each part
- Time allowed: **Three Hours**
- Graph papers are provided and calculators are allowed

#### Part I

- 1 A utility maximizing consumer has utility function  $U(X, Y) = X^{0.5}Y^{0.5}$ , where X and Y represent the quantities of two goods that are consumed. Let consumer's income be M. The price of good X is given by  $P_x$  per unit while the price of good Y is  $P_y$  per unit.
- Write down consumer's objective function subject to income constraint. (03 marks)
  - Show the income constraint equation when the price of X is Rs 0.25, price of Y is Rs 1 and the total income is Rs 2 (02 marks)
  - Set the Lagrangian function (05 marks)
  - What is the optimal quantity of both X and Y? (05 marks)
  - Derive the total utility of the above consumer at the equilibrium (05 marks)
- 2
- Explain the relationship between utility approach and the indifference curve approach to consumer demand theory (10 marks)
  - Which of these two approaches is preferable? Why? (05 marks)
  - How do you derive a demand curve using one of the above two approaches? (05 marks)
- 3
- How do you describe the meaning of "production function"? (05 marks)
  - Suppose that the production function of a firm is given by:  
 $Q = f(L, K) = 4LK - 3L^2 - 2K^2 + 6K + 14K$  where Q is the amount of output of the firm, L and K are the amounts of labor and capital that the firm uses
    - Find the values of L and K that maximize the firm's output level (07 marks)
    - If the firm is a perfectly competitive firm and sells its product at Rs. 25 per unit, what are the profit maximizing levels of L and K? (Assume that the firm pays Rs. 7 per unit of labor and Rs. 14 per unit of capital) (08 marks)
- 4
- What is meant by firm's equilibrium? Explain the conditions of short run and long run equilibrium of firms under perfect competition and monopoly (10 marks)
  - "Monopoly causes misallocation of resources and thereby causes loss of social welfare." Critically evaluate this statement (10 marks)

- 5 Write short notes on the following:
- i Marginal product and average product of a firm
  - ii Objectives of government-imposed price ceilings and price floors
  - iii Consumer surplus and producer surplus
  - iv Cobb-Douglas production function (05 marks each)

**Part II**

- 6 i. What is the likely effect of an increase in consumption on:
- a. Investment (02 marks)
  - b. Inflation (02 marks)
  - c. Employment (02 marks)

- ii. Consider the following information on an open economic model (all figures are given in million rupees)

$$C = 300 + 0.8Y_d ; I = 50 ; G = 50 ; T = 20 ; TR = 20$$

$$X = 100 ; M = 20 + 0.2Y$$

Y= National income;  $Y_d$ =Disposable income; C = Consumption; T= tax;

G = Government spending; TR = Transfers; I = Private investment;

X = Exports; M = Imports

- a. Determine the equilibrium value of national income (04 marks)
- b. Calculate the consumption expenditure at the equilibrium level of national income? (05 marks)
- c. Suppose that the private investment increases by Rs. 10 mn. Determine the new equilibrium value of national income (05 marks)

- 7 “The effectiveness of monetary policy depends on the interest elasticity of the demand for money and the interest elasticity of investment demand.” Do you agree? Give reasons. What are the other channels through which monetary policy affects spending decisions of the private sector in an economy? (20 marks)

- 8 i. What does the Phillip Curve show? (04 marks)
- ii Briefly discuss the causes and consequences of unemployment (08 marks)
- iii Outline the difference between structural and frictional unemployment (08 marks)

- 9 i Explain the concept of deficit in the balance of payment (08 marks)
- ii Critically analyze the short term and long term solutions to the disequilibrium of balance of payment of a country (12 marks)

- 10 Write short notes on the following:
- i Factors influencing the determination of exchange rate in an open economy
  - ii Devaluation and depreciation of a currency
  - iii Goals of monetary policy
  - iv Liquidity trap (05 marks each)

\*\*\*\*\*



දුරස්ථ හා අඛණ්ඩ අධ්‍යාපන කේන්ද්‍රය - පේරාදෙණිය විශ්වවිද්‍යාලය  
தொடர் தொலைக் கல்வி நிலையம் - பேராதனைப் பல்கலைக்கழகம்  
CENTRE FOR DISTANCE & CONTINUING EDUCATION - UNIVERSITY OF PERADENIYA



GENERAL DEGREE EXAMINATION IN ARTS (EXTERNAL) - August 2016

**ECG 2 - ECONOMICS II**

**Instructions:**

- Answer **FIVE** questions only
- Time allowed: **Three Hours**
- Marks allocated for each question indicated accordingly.
- The total number of questions in this paper is 8

- (i) What is meant by the term of 'feudal system'? (04 marks)

(ii) What are the main features of feudal system of Western Europe? (06 marks)

(iii) Explain the process of its demise in Western Europe (10 marks)
- "The term 'industrial revolution' does not mean rapid change but does ultimately mean a fundamental change in the economy of a country". Discuss and comment in relation to the industrial changes in Great Britain during the 18<sup>th</sup> and 19<sup>th</sup> centuries. (20 marks)
- Discuss the role of agrarian transformation in industrial development of any country in Europe during the 19<sup>th</sup> century. (20 marks)
- 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)
- Describe the major demographic changes in France during the 19<sup>th</sup> century and explain how it impacted on its industrial development. (20 marks)
- Compare and contrast the role played by the state in the process of economic development of Great Britain and Germany during the 18<sup>th</sup> and 19<sup>th</sup> centuries. (20 marks)

7. (i) Explain the main features of 'Zollverein' in Germany. (06 marks)

(ii) Discuss the main contributions of the Zollverein to the economic development of Germany through the expansion of internal trade during the 19<sup>th</sup> century. (14 marks)

8. Write short notes on any **Four** of the following:

- (i) The Second Enclosure Movement
- (ii) War Communism
- (iii) The New Economic Policy of Soviet Russia
- (iv) The Corn Law of 1815
- (v) Mercantilism

(4x5 = 20 marks)

\*\*\*\*\*



General Degree Examination in Arts - August 2016

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) What are the ways in which post 1977 economic policy differs from pre 1977 economic Policy of Sri Lanka? Briefly explain. (10 marks)
- (ii) 'Since independence, Sri Lankan government acts as a welfare state'. Do you agree to this statement? Comment. (10 marks)
2. (i) Define the term 'poverty'. (04 marks)
- (ii) Briefly explain the reasons for poverty in Sri Lanka. (08 marks)
- (iii) "Poverty has been decreasing in Sri Lanka since 1990". Do you agree with this statement? Explain. (08 marks)
3. Examine the growth performance of the economy under different policy regimes in Sri Lanka. (20 marks)
4. (i) Describe the main industrialization strategies of Sri Lanka 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 saving/earning foreign exchange and industrializing the economy. (10 marks)
5. (i) Describe the reasons for decreasing population growth in Sri Lanka during the last four decades. (10 marks)
- (ii) Examine the economic effects of population growth in Sri Lanka since independence. (10 marks)
6. (i) Discuss major characteristics of Sri Lanka's unemployment problem. (10 marks)
- (ii) Suggest methods of reducing the unemployment problem in Sri Lanka. (10 marks)
7. (i) What are the policy measures taken by the government to increase the agricultural productivity in Sri Lanka. (14 marks)
- (ii) Explain the impact of these policies on agriculture sector in Sri Lanka? (06 marks)

8. (i) State the reasons for the lack of government revenue to finance the budget deficit in Sri Lanka. (06 marks)
- (ii) What are the reasons for continuous increase in government expenditures in Sri Lanka? (07 marks)
- (iii) Discuss the effects of Budget deficit on the economy in Sri Lanka. (07 marks)
9. State and explain the outcomes of the post-1977 economic reforms on Sri Lanka's
- (a) Export and import structure
- (b) Balance of Payments
- (c) Terms of Trade
- (d) Foreign Direct Investments (05 marks each)
10. Write short notes on any **four** of following with reference to Sri Lanka.
- (a) Exchange rate policy since 1977
- (b) Measurements of poverty and income inequality
- (c) Factors determining the birth rate
- (d) Factors determining the foreign direct investments
- (e) Components of tax revenue
- (f) Absolute poverty and relative poverty (05 marks each)
-