



GENERAL DEGREE EXAMINATION IN ARTS (EXTERNAL) (Dce. 2018)

ECG 1: Economics I

Instructions:

- Answer **Four** questions selecting at least two from each part.
- The total number of questions in this paper is 08
- 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 (10 marks)
 - Derive the marginal rate of substitution X for Y (MRS_{xy}) and calculate the value of MRS_{xy} at the equilibrium of this individual. (05 marks)
 - Calculate the marginal utility of money (MU_m) at the equilibrium (05 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. (05 marks)
- 2
- Explain the relationship between utility approach and the indifference curve approach to consumer demand theory (12 marks)
 - Which of these two approaches is preferable? Why? (07 marks)
 - How do you derive a demand curve using one of the above two approaches? (06 marks)
- 3
- Explain the relationship between Marginal and Average Product curves and Marginal Cost and Average Cost curves in the short run. (06 marks)
 - How does a firm's long-run average total cost (LATC) related to short-run average total cost (SATC)? Explain using graph. (09 marks)
 - "Monopolistic competition is the middle ground between perfect competition and monopoly." Explain this statement using graphs (10 marks)

- 4 i What is meant by firm's equilibrium? Explain the conditions of short run and long run equilibrium of firms under perfect competition and monopoly (13 marks)
- ii "Monopoly causes misallocation of resources and thereby causes loss of social welfare." Critically evaluate this statement (12 marks)

Part II

- 5 i. What is the likely effect of an increase in consumption on:
- a. Investment (03 marks)
 - b. Inflation (03 marks)
 - c. Employment (03 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 (05marks)
 - b. Calculate the consumption expenditure at the equilibrium level of national income? (06 marks)
 - c. Suppose that the private investment increases by Rs. 10 mn. Determine the new equilibrium value of national income (05 marks)
- 6 i Discuss the importance of the concept of 'broad money' in examining the money supply of a country (07 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
 - b. Discount rate policy of the Central Bank (06 marks for each)
 - c. Policy of legal reserve requirements of the Central Bank

- 7
- i What does the Phillip Curve show? (05 marks)
 - ii Briefly discuss the causes and consequences of unemployment (10 marks)
 - iii Outline the difference between structural and frictional unemployment (10 marks)

8 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
- v Inflationary gap (05 marks each)



General Degree Examination in Arts (External Old Syllabus) (December 2018)

Economic 11
ECG 2 Comparative Economic Development

Answer any **FIVE** questions only
Total number of questions in this paper is 08.
Marks allocated for each question indicated accordingly.
(Time Allocated: Three Hours)

1. (i) What are the main economic features of feudalism that prevailed in the Great Britain during the Middle Ages? (10 Marks)
(ii) Discuss the factors which contributed to its demise. (10 Marks)
2. (i) Explain the significance of the Industrial Revolution in the Great Britain. (10 Marks)
(ii) How do you distinguish the second phase of the Industrial Revolution in the Great Britain from the first phase? (10 Marks)
3. Examine the role of the agrarian transformation in Industrial development in **Either** Great Britain **or** Germany. (20 Marks)
4. How do you explain the intervention of the state in the economic development process of the European countries industrialized after the Great Britain? (20 Marks)
5. Assess the economic and social importance of the creation of a modern transport system **Either** in France **or** Great Britain. (20 Marks)
6. Discuss the advantages and the disadvantages of industrialization in the late – comer countries with special reference to Germany, France and Soviet Russia. (20 Marks)
7. The New Economic Policy (NEP) in the Soviet Russia attempted to correct the mistakes of the war communism. Examine the main objectives of the NEP in relation to the problems created by war communism. (20 Marks)
8. Write short notes on any **Four** of the following:-
 - (i) Zollverein
 - (ii) War Communism
 - (iii) The Second Enclosure movement
 - (iv) The Corn Laws
 - (v) Mercantilism(04 x 05 = 20 marks)



General Degree Examination in Arts (December 2018)

Economics III
ECG 3 Applied Economics

Answer any **FIVE** questions.

Total number of questions in this paper is 10.

Marks allocated for each question indicated accordingly.

(Three Hours)

1. (i) Outline the main features of the developing countries. (06 Marks)
(ii) Differentiate economic development from economic growth (06 Marks)
(iii) Briefly mention the main factors affecting the economic growth in Sri Lanka over the last five decades. (08 Marks)
2. (i) What are the measures used to identify poverty and income distribution gaps in Sri Lanka?. (08 marks)
(ii) Discuss the poverty alleviation strategies followed by Sri Lanka in the last two decades. (12 marks)
3. (i) 'The Age Structure of Sri Lanka's population changes over time'. Do you agree with this statement?. Give reasons for your answer. (10 Marks)
(ii) What are the economic effects of aging population? Comment. (10 Marks)
4. (i) Discuss the reasons for high unemployment among youth in Sri Lanka. (10 marks)
(ii) Comment on the policy measures taken by the Sri Lankan government to reduce it. (10 marks)
5. (i) What are the differences between domestic agriculture and export agriculture? (05 marks)
(ii) Discuss the major problems faced by the domestic agriculture sector in Sri Lanka. (15 marks)
6. (i) Briefly explain the differences between Import substitution policy and Export promotion policy. (08 Marks)
(ii) What are the policy measures taken by the Sri Lankan governments to promote the industrial sector after 1977? (12 Marks)
7. (i) Outline the structural changes in export and import sector of Sri Lanka. (10 marks)
(ii) Comment on the factors that contributed to these changes. (10 marks)
8. (i) Describe present tax revenue structure of Sri Lanka. (05 Marks)
(ii) Suggest reasons for the above changes in the resent past. (07 Marks)
(iii) Discuss important issues facing Sri Lankan fiscal policy today. (08 Marks)

9. (i) Briefly explain the importance of the export agriculture sector in Sri Lanka . (05 Marks)
- (ii) What are measures taken by the Sri Lankan government to promote export agriculture? (15 Marks)
10. Write short notes on any **four** of following with reference to Sri Lanka.
- (a) Factors determine the birth rate
 - (b) Components of imports
 - (c) Private involvement in Domestic agriculture
 - (d) Tariff reforms
 - (e) Trade gap
 - (f) Impact of land reforms on plantation sector (05 Marks each)
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