

THE OPEN UNIVERSITY OF SRI LANKA
 DEPARTMENT OF SOCIAL STUDIES
 ADVANCED CERTIFICATE IN SOCIAL
 SCIENCES LEVEL II (SEMESTER I) –2023/2024
 FINAL EXAMINATION
 DSC-2812 –FUNDAMENTALS OF ECONOMICS
 DURATION: THREE (03) HOURS



Date: 09.12.2023

Time: 1.30p.m to 4.30p.m

Instructions

- Answer any five (05) questions.
- Each question carries (20) marks.
- Please write your answers clearly.

1. a) What are the basic economic problems faced by decision- makers in an economy? (7 marks)
- b) What are the characteristics of a market economy? (8 marks)
- c) What does a production possibility curve show? (5 marks)

2. a) Why do demand curves generally slope downward? (7 marks)
- b) Explain the meaning and significance of the concept “Price elasticity of demand.” (8 marks)
- c) What is the elasticity of supply of a product? (5 marks)

3. a) Why do economists believe that, by and large, reliance on competitive markets is desirable? (8 marks)
- b) Why are perfectly competitive firms price takers? (7 marks)
- c) What are the causes for the rise of Monopoly? (5 marks)

4. a) What is a firm and what does it do? (7 marks)
- b) What are the factors of productions and what are their rewards? (8 marks)
- c) What is equilibrium and how does it occur in market? (5 marks)

5. a) What do you mean by the circular flow of income model? (8 marks)
- b) Why do we use the circular flow of income model in macroeconomics? (7 marks)
- c) What is meant by macroeconomic equilibrium? (5 marks)

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6. a) What is meant by the rate of unemployment?
b) Explain the different types of unemployment.
c) Explain the natural rate of unemployment.
d) Explain the concepts of under-employment (5 marks for each)
7. a) "Inflation is an increase in the average level of prices and not a change in any specific price."
Explain. (7 marks)
b) Describe the Demand pull inflation and Cost push inflation. What are the causes of each?
(8 marks)
c) Do you believe that inflation affects everyone at the same level? Justify your answer. (5 marks)
8. a) Explain the functions of money. (8 marks)
b) Describe different types of money. (7 marks)
c) What are the functions of Commercial banks? (5 marks)
9. Write short notes on any **four (04)** of the following.
a) Benefits of economic growth
b) International migration
c) Density of population
d) Balance of payments
e) Comparative advantage
f) Gross Domestic Product (GDP)
g) Factor Market
h) Price Discrimination (5 marks for each)