

THE OPEN UNIVERSITY OF SRI LANKA
 DEPARTMENT OF SOCIAL STUDIES
 BA DEGREE PROGRAMME IN SOCIAL SCIENCES - LEVEL III
 FINAL EXAMINATION 2023/2024 (SEMESTER II)
 DSU3532 – PRINCIPLES OF ECONOMICS II



DURATION: THREE HOURS (3 HOURS)

Date: 17.08.2024

Time: 01.30 p.m. - 04.30 p.m.

Instructions:

- There are nine (09) questions in this paper.
- Answer any five (05) questions.
- Each question carries equal marks.

1. (a) Explain how economic profit differs from accounting profit. (10 marks)
 (b) Distinguish between the short run and the long run by providing appropriate examples. (10 marks)
2. (a) Briefly describe the short run supply curve of a perfectly competitive firm with an appropriate graph. (10 marks)
 (b) Describe the characteristics of a monopolistically competitive market. (10 marks)
3. (a) Briefly explain the concept of double coincidence of wants with appropriate examples. (10 marks)
 (b) Explain why people need money to exchange goods and services. (10 marks)
4. (a) Compare the positive and negative externalities in consumption. Provide examples to support your answer. (10 marks)
 (b) Describe how externalities in production can be internalized, using relevant graph / s. (10 marks)
5. (a) Briefly explain the various types of government expenditure. (10 marks)
 (b) Discuss the components of the government revenue. (10 marks)

6. (a) Provide a brief description of fiscal policy and its impact on macroeconomic stability. (10 marks)
- (b) Describe the relationship between fiscal policy and government debt. (10 marks)
7. (a) Explain the main functions of the World Bank Group. (10 marks)
- (b) Briefly explain the Bank for International Settlements (BIS). (10 marks)
8. (a) Explain the meaning of economic integration and the reasons behind it. (10 marks)
- (b) Briefly explain different types of economic integration and elaborate on the advantages and disadvantages associated with each type. (10 marks)
9. Write short notes on **any four (04)** of the following:
- a. Balance of Payments (BOP)
 - b. The Central Bank of Sri Lanka
 - c. Fiscal Policy
 - d. Free Trade Zones
 - e. Fixed inputs and variable inputs
 - f. Demand Pulled Inflation
 - g. Commercial banks
 - h. Economic Union
- (5 x 4 = 20 marks)

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