

THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE PROGRAMME IN SOCIAL SCIENCES – LEVEL 3
FINAL EXAMINATION – 2024/2025 (SEMESTER 1)
DSU3531 - PRINCIPLES OF ECONOMICS I



DURATION: THREE HOURS (03 HOURS) ONLY

Date: 05.04.2025

Time: 09.30 a.m. -12.30 p.m.

Instructions:

- **Answer five (05) questions ONLY.**
- **Each question carries twenty (20) marks.**
- **Use of non-programmable calculators is allowed.**
- **Please write legibly. Show all your workings properly.**

1. a) Discuss the relationship between scarcity, choice, and opportunity cost. Illustrate your answer with suitable examples. (10 marks)
- b) Using the Production Possibility Curve (PPC), explain how scarcity and opportunity cost affects the economic choices made by a country. (10 marks)
2. a) Briefly explain the three basic economic problems. (10 marks)
- b) Compare and contrast different economic systems, highlighting their key characteristics. (10 marks)
3. Using a properly labeled Production Possibility Curve (PPC), explain how the following economic situations can be represented graphically. (5 marks each)
 - a) Underutilization of Resources
 - b) Economic Growth
 - c) Efficient Production
 - d) Technological advancement

4. a) Explain the concept of price controls and describe their different types. (10 marks)
b) Discuss the impact of price controls on Sri Lanka's economy, focusing on essential goods such as fuel, food, and medicine. (10 marks)
5. Assume the following in a hypothetical economy. (5 marks each)
Consumption = $100 + 0.6 Y$
Investment = 50
Government expenditure = 50
Exports = 100
Imports = $0.1 Y$
- a) Calculate the equilibrium level of national income.
b) Estimate the balance of trade at the equilibrium income.
c) Derive the savings function.
d) Compute the income multiplier and interpret it.
6. a) Explain the three main approaches of calculating National Income. (15 marks)
b) What are the key limitations of using GDP as a measure of economic well-being? (5 marks)
7. a) What is a business cycle? Briefly explain its main phases. (10 marks)
b) Explain two major causes of business cycles and provide relevant examples. (10 marks)
8. a) Briefly discuss the two main types of inflation. (10 marks)
b) Discuss the negative impacts of inflation. (10 marks)

9. Write short notes on any FOUR (04) of the following using graphs/diagrams and examples wherever necessary. (5 marks each)

- a) The Income Multiplier
- b) Structural Unemployment
- c) Inferior Good
- d) Labor Force Participation Rate
- e) Substitute Goods
- f) Business Cycle

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