00541

THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA IN SOCIAL SCIENCES - 2024/2025
FINAL EXAMINATION - LEVEL 3 (SEMESTER II)
DSU3532 – PRINCIPLES OF ECONOMICS II

DURATION: THREE HOURS (03 HOURS) ONLY

Date: 16.08.2025 **Time: 9.30 a.m. - 12.30 p.m.**

Instructions:

- **There are nine (09) questions in this paper.**
- **Answer any five (05) questions.**
- **Each question carries 20 marks.**

Question No:1

(a) What is meant by economies of scale?
(5 marks)

(b) Describe the main purpose of co-operatives as a business goal.
(5 marks)

(c) Explain how specialization improves production efficiency.
(5 marks)

(d) Explain why firms aim for growth instead of only profit.
(5 marks)

Question No:2

(a) Describe the meaning of returns to scale.
(10 marks)

(b) Illustrate total, average and marginal product using a table and graph.
(10 marks)

Question No:3

(a) Explain why all costs become variable in the long run.
(10 marks)

(b) Discuss two reasons for diseconomies of scale with examples.
(10 marks)

Question No:4

(a) Explain the characteristics of Monopoly with appropriate examples.
(10 marks)

(b) Explain the characteristics of Monopolistic Competition with appropriate examples.
(10 marks)

Question No:5

(a) Explain the characteristics of a market structure which acts as a price taker.
(10 marks)

(b) Explain the MR = MC rule in simple words with an example.
(10 marks)

Question No:6

(a) Explain the role of money as a medium of exchange and a store of value.
(10 marks)

(b) Explain why commercial banks are important.
(10 marks)

Question No:7

(a) Discuss the role of the Central Bank in stabilizing the economy.
(10 marks)

(b) Discuss the difference between cost-push inflation and demand-pull inflation.
(10 marks)

Question No:8

(a) Discuss the role of taxation in government revenue.
(10 marks)

(b) Distinguish between the freely floating exchange rate system and fixed exchange rate system.
(10 marks)

Question No:9

Write short notes on **any <u>four (04)</u>** of the following.

a) The mechanism of interest rate stabilization
b) Fractional Reserve Requirement (FRR)
c) Foreign debt
d) Debt to GDP ratio
e) Dual Entry Principle in BOP
f) Trade creation due to integration
g) International Bank for Reconstruction and Development (IBRD)
h) Custom Union as a level of economic integration (5x4 = 20 marks)

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