

THE OPEN UNIVERSITY OF SRI LANKA  
 DEPARTMENT OF SOCIAL STUDIES  
 BA DEGREE PROGRAMME IN SOCIAL SCIENCES – 2018/2019  
 FINAL EXAMINATION – LEVEL 3  
 SSU1203 - PRINCIPLES OF MICRO ECONOMICS



**DURATION: THREE HOURS (03 HOURS) ONLY**

**Date: 10.02.2019**

**Time: 09.30am. to 12.30 pm.**

**Instructions:**

➤ Answer any five (05) questions.

1. (a) “We run into scarcity because resources are limited while wants are unlimited.”  
Explain this statement in your own words.  
(b) “Explain the concept “Opportunity Cost” with examples.
2. (a) Explain the assumptions of theory of demand.  
(b) Compare and contrast the movement along the demand curve and shifts of the demand curve by using graphical illustrations.
3. Critically explain the properties of Indifference Curves.
4. (a) Explain the theory of Supply  
(b) Describe which factors will shift the supply curve to the right. Provide graphical illustrations where necessary.
5. (a) Explain the terms, Fixed Cost (FC) , Variable Cost (VC) and the Total Cost (TC)  
(b) Describe the AFC, AVC, AC and MC using diagrams and explain the relationship of these curves.
6. (a) Explain the characteristics of a Perfect Competitive market.  
(b) Graphically explain the profit maximization in Perfect Competition both in the short run and the long run.
7. “Monopolistic Competition is associated with product differentiation”. Critically explain this statement and provide examples where necessary.
8. Compare and contrast the TR-TC approach and MR=MC approach. Provide examples where necessary.
9. Write short notes on any four (04) of the following.
 

(a) Demand function	(d) Kinked Demand Curve
(b) Economies of Scale	(e) Consumer surplus and producer surplus
(c) Price Elasticity of Demand	