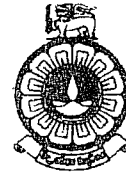


THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
CERTIFICATE COURSE IN SOCIAL SCIENCES – LEVEL I
FINAL EXAMINATION (2007)
SSF 1303 - FUNDAMENTALS OF ECONOMICS



DURATION – THREE (03) HOURS

Date: 10th October 2007

Time: 9.30 a.m. – 12.30 p.m.

Answer five (05) questions only.

Select at least one question (01) from each part.

Use of graphs, hypothetical data, and examples will be rewarded.

Graphs papers are provided.

PART I

1. (i) (a) What are economic resources? (05 marks)
(b) "Resources are scarce". Explain. (07 marks)
(ii) Describe the concept of Opportunity Cost with a suitable example. (08 marks)

2. (a) List basic economic problems and explain how these problems are solved in a capitalist economy. (10 marks)
(b) Define Division of Labour and explain advantages of Division of Labour. (10 marks)

3. Write short notes on any two (02) of the following.
(i) Price system and barter system
(ii) Production possibility curve
(iii) Economic growth and economic stability (10 marks each)

PART II

4. (a) Briefly explain four (04) characteristics of perfect competitive market. (10 marks)
(b) What happens to demand when the following changes occur?
(i) If the price of the petrol increases. (05 marks)
(ii) If the price of the sugar decreases. (05 marks)

5. (a) Explain the importance of the concept of elasticity of supply with examples (10 marks)
(b) What are the effects of a sales tax on both consumers and suppliers? (10 marks)
6. Write short notes on any **four (04)** of the following:
(i) Guaranteed price and black market price
(ii) Equilibrium and government intervention
(iii) Substitute goods and elasticity of demand
(iv) Excess demand and excess supply
(v) Individual demand and market demand (05 marks each)

PART III

7. Explain the differences between the following:
(i) Gross Domestic Product and Gross National Product
(ii) National Income data on current prices and constant prices
(iii) Per capita income and domestic income
(iv) Factors price and market price (each 05 marks)
8. (a) Explain one method of National Income data computation. (10 marks)
(b) (i) What do you mean by double counting? (05 marks)
(ii) Write **four (04)** main criticisms against the concept of National Income. (05 marks)
9. Write brief notes on any **four (04)** of the following.
(a) Circular flow of income
(b) Value added
(c) Preliminary economic activity.
(d) Macroeconomics
(e) Commodities market (each 05 marks)

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