

THE OPEN UNIVERSITY OF SRI LANKA
 DEPARTMENT OF SOCIAL STUDIES
 BA DEGREE PROGRAMME IN SOCIAL SCIENCES – (2018/2019)
 FINAL EXAM – SEMESTER II
 DSU3532/ SSU1232: PRINCIPLES OF ECONOMICS II



DURATION: THREE HOURS (03 HOURS)

Date : 13.07.2019

Time: 9.30 a.m – 12.30 p.m

Instructions:

➤ Answer any five (05) questions.

1.

- a) Briefly explain the goals of a firm. (8 Marks)
 b) Critically explain the concept, the law of diminishing returns with an appropriate hypothetical table and a graph. (12 Marks)

2. The following table lists the costs incurred by a firm.

a) Fill in blanks in the table. (10 Marks)

Quantity	TFC	TVC	TC	AFC	AVC	ATC	MC
0	100	0					
1	100	90					
2	100	170					
3	100	240					
4	100	300					
5	100	370					
6	100	450					
7	100	540					
8	100	650					
9	100	780					
10	100	930					

b) Examine the reasons for economies of scale and diseconomies of scale using an appropriate graph. (10 Marks)

3. Classify the four (04) different types of market structures according to the characteristics, pricing and the nature of the demand each market structure faces. (20Marks)

4. Compare and contrast the profit maximization of the Perfectly Competitive Market and Monopoly Market both in the short run and the long run by providing graphical illustrations where necessary. (20 Marks)

- 5.
- a) Define "what is money?" and briefly explain the four (04) main functions of money. (08 Marks)
 - b) Financial intermediaries are of different types. Critically explain the main functions of financial intermediaries with examples. (12 Marks)
- 6.
- a) The central bank of a nation is considered as the Apex Institution in the financial sector. Critically explain the two main objectives of the Central Bank of Sri Lanka. (08 Marks)
 - b) Critically explain the four (04) types of externalities with examples using appropriate graphs. (12 Marks)
- 7.
- a) Define the term 'exchange rate' and distinguish the difference between nominal exchange rate and real exchange rate. (08 Marks)
 - b) Explain the structure of Balance of Payment Account. (12 Marks)
8. Identify the main international financial institutions and assess the impact that the operation of each institution could have on the global economy as a whole. (20 Marks)
9. Write short notes on any four (04) of the following.
- a) Accounting Profits and Economic Profits
 - b) Long Run Production Costs and Short Run Production Costs
 - c) Price Maker and Price Taker
 - d) Public Goods and Merit Goods
 - e) Revaluation and Devaluation of currency

(5 X 4 = 20 Marks)

*** Copyrights reserved***