THE OPEN UNIVERSITY OF SRI LANKA
CERTIFICATE COURSE IN SOCIAL SCIENCES – LEVEL I - 2006
FINAL EXAMINATION
SSF 1303 - FUNDEMENTALS OF ECONOMICS

DURATION – THREE (03) HOURS

Date: 26th of November 2006 **Time: 9.00 a.m. – 12.00 noon**

Answer five (05) questions only.
Select at least one question (01) from each part.
Use of graphs, hypothetical data, and examples will be rewarded.
Graph papers are provided.

PART I

1. Explain the following concepts with suitable examples.
   (i) Scarcity
   (ii) Opportunity cost
   (iii) Free goods
   (iv) Production possibility curve

2. (a) What are the basic economic problems faced by any society?
   (b) How are these basic economic problems solved in a capitalist economy?

3. Write short notes on any **two (2)** of the following pairs.
   (i) Capital intensive techniques and labour intensive technique
   (ii) Division of labour and specialization
   (iii) Land and capital

PART II

4. (a) Define the law of demand.
   (b) Discuss briefly the concept of the market equilibrium
   (c) Explain the concept of excess supply by using graphs

5. Compare and contrast two of the following pairs of concepts
   (a) Direct demand and derived demand
   (b) Point elasticity of demand and arc elasticity of demand
   (c) Change in demand and change in the quantity demanded

6. Following schedule shows demand and supply data for textiles (Use graph papers to answer this question).

Price	Demand	Supply
2	360	120
4	320	200
6	280	410
8	240	620
10	200	840

(a) Draw the demand and supply curves of the above commodity.
(b) Mark the equilibrium price and quantity.
(c) Describe the situation at a price Rs. 3. What occurs?

PART III

7. (a) Define the concept of National Income.
(b) Explain one method of National Income data computation.
(c) What do you mean by double counting? Give two methods to overcome the double counting problem.

8. (a) Describe the three main sectors of the Sri Lankan economy giving examples.
(b) Explain the economic activities that can be missed out in national income calculation.
(c) What are the main criticisms against the concept of National Income?

9. Write brief note on any **four (04)** of the following.
(i) Circular flow of income
(ii) Gross Domestic Product
(iii) Factor income from abroad
(iv) Macroeconomics
(v) Economic development

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