



EASTERN UNIVERSITY, SRI LANKA
FACULTY OF SCIENCE

SECOND YEAR/SECOND SEMESTER EXAMINATION IN SCIENCE 2003/04
(June/July- 2005)

OC 201 – ECONOMIC THEORY - I

Answer the all questions

Time: 02 hours

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1. (i) What is Economics? (05 marks)
- (ii) Point out the basic Economic problem of an Economic system. (05 marks)
- (iii) What do you understand by “resources and scarcity”? (05 marks)
- (iv) Explain the production possibility curve. (05 marks)
- (v) Explain the term “opportunity cost”. (05 marks)
2. (i) What do you understand by Economic system? (05 marks)
- (ii) Explain the main features of a “capitalist system”. (10 marks)
- (iii) How does the socialist system find the solution for its basic problems? (05 marks)
- (iv) Explain the term “Mixed economy”. (05 marks)

3. (i) Explain the law of demand. (05 marks)
- (ii) Explain the difference between demand curve and demand schedule. (05 marks)
- (iii) What are the factors that determine the demand for a commodity? (05 marks)
- (iv) Define the term "Market equilibrium". (05 marks)
- (v) Explain the term "price elasticity of demand". (05 marks)

4. (i) The demand function for a commodity Y is given by $Q_{dy} = 150 - 5p$ and the supply function for a commodity Y is given by $Q_{sy} = 10p$.

- (a) Prepare the demand and supply schedule for commodity Y.
- (b) Find out the equilibrium price and quantity of Y by using the equations given above.
- (ii) What is meant by utility? (10 marks)
- (iii) Differentiate the marginal utility and the total utility. (03 marks)
- (iv) Point out the assumptions of the marginal utility theory. (04 marks)
- (v) Explain the term "law of diminishing marginal utility". (04 marks)
