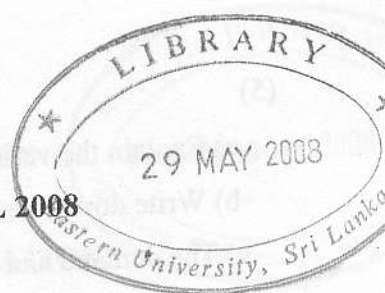


EASTERN UNIVERSITY SRI LANKA.
FACULTY OF SCIENCE
THIRD EXAMINATION IN SCIENCE
SECOND SEMESTER 2005/2006 MARCH/ APRIL 2008
ADVANCED ECONOMIC S - OC 302



2 hours

Answer all questions.

(1)

- What is scarcity and opportunity cost?
- Briefly explain the basic economic problem.
- What are the assumptions based on cardinal utility approach?
- Explain the derivation of demand curve from cardinal utility approach.

(20 marks)

(2)

- What is meant by indifference curve?
- What are the assumptions of indifference curve analysis?
- What is Marginal Rate of Substitution (MRS)? Why does MRS diminish?
- Explain the properties of indifference curve.

(20 marks)

(3)

- Explain the consumer equilibrium under the ordinal utility theory.
- What is the price consumption curve? Explain.
- What is the elasticity?
- What are the determinants of price elasticity?

(20 marks)

(4)

- What is the theory of production?
- What is Isoquant curve? Explain
- What is Marginal Rate of Technical Substitution (MRTS)?
- Explain the properties of Isoquant curve.

(20 marks)

(5)

- a) Explain the various types of market structure.
- b) Write down the characteristics of perfect competition market.
- c) The demand and cost function of a monopoly market is given below.

$$Q = 50 - 0.5P$$

$$TC = 50 + 40Q$$

- i) Calculate the TR, MR and MC
- ii) What is profit maximizing output and Price?

(20 marks)