

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF SCIENCE

SECOND EXAMINATION IN SCIENCE – 2004/2005 (Proper & Repeat)

SECOND SEMESTER OCTOBER/NOVEMBER – 2006

OC 201 – ECONOMIC THEORY - 1

Answer all questions

Time: 2 hours

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- Q1. a) What is Economics?
b) Explain the term “Scarcity of resources”.
c) What are the basic problems of an economic system?
d) Point out the features of free enterprise economic system.
e) Explain the mixed economic system
(20 marks)
- Q2. a) What is meant by demand?
b) Explain the individual demand and market demand
c) What is meant by the law of demand and law of supply?
d) What are the determinants of market demand?
e) Explain the demand schedule and demand curve
(20 marks)
- Q3. a) What is market equilibrium?
b) Explain the consumer surplus and producer surplus.
c) From a demand function $Q_{dx} = 2000 - 30p$ and a supply function $Q_{sx} = 20p$, find out equilibrium price and quantity
d) What is price elasticity of demand?
e) Explain the determinants of the price elasticity of demand
(20 marks)
- Q4. a) What is utility? Write down the two utility approaches of theory of demand.
b) Distinguish between Total utility and Marginal utility.
c) What is the law of diminishing marginal utility?
d) What is meant by an indifference curve?
e) What are the characteristics of an indifference curve?
(20 marks)

- Q5
- a) Explain the production possibility curve.
 - b) Write down factors which contribute to the shifting the production possibility curve.
 - c) What is opportunity cost?
 - d) What is meant by Market Structures?
 - e) Distinguish between perfect competition and monopoly

(20 marks)