



**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF SCIENCE**  
**2<sup>RD</sup> YEAR 2<sup>ND</sup> SEMESTER EXAMINATION IN SCIENCE 2008/2009**  
**(PROPER)**  
**SEPTEMBER 2010**  
**OC 202- ECONOMICS THEORY II**

Answer all questions

Time: One Hours

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1. Briefly, explain the followings:

- a) Basic economic problems
- b) Opportunity cost
- c) Concave-shaped production possibility curve
- d) Marginal Utility
- e) Law of Demand
- f) Perfectly competitive firm
- g) Price Elasticity of Demand
- h) Wants and Demand
- i) Normal Profit of a firm
- j) Monopoly Market

(5x10 Marks)

2. i. Explain the basic properties of indifference curve and Marginal Rate of Substitution

(10 Marks)

ii. Information relating to a market pertaining to good 'X' is given below:

<u>Price (Rs.)</u>	<u>Demand (Units)</u>	<u>Supply (Units)</u>
20	400	480
50	200	1,000

a) Formulate the demand and supply equations.

(10 Marks)

b) Calculate the equilibrium price and the quantity using the algebraic method.

(10 Marks)

c) If the market price is Rs. 45/-, calculate the excess demand.

(10 Marks)

d) If the government imposes a sales' tax of Rs. 3/-, calculate the new equilibrium price and quantity.

(10 Marks)