



UNIVERSITY OF RUHUNA
FACULTY OF MANAGEMENT AND FINANCE

No. of Pages : 02
No. of Questions: 06
Total Marks : 70

HRM 41423- PERSONNEL ECONOMICS

Academic Year 2024/2025

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

4000 LEVEL FIRST SEMESTER END EXAMINATION - AUG/SEP 2025

Three Hours

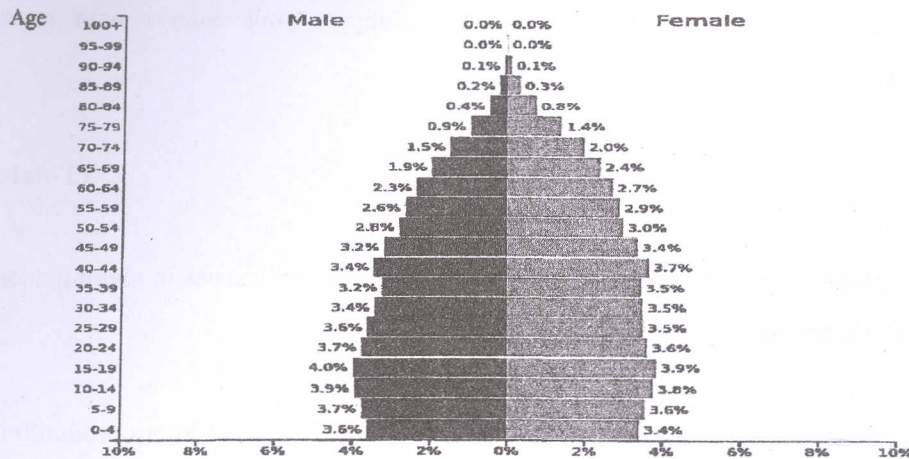
Instructions

➡ The question paper contains six (06) questions. Answer only five (05) questions.

Question 01

- I. Briefly discuss the four (04) primary building blocks of Personnel Economics. (06 Marks)

- II. Interpret the shape of the population pyramid given below by predicting future demographic trends and their economic implications. Support your answer with statistics.



Population Size (08 Marks)
(Total Marks 14)

Question 02

- I. Briefly discuss two ways of dealing with adverse selection in hiring with practical examples. (06 Marks)

- II. Assume that product demand, technology, and labor supply remain constant, while the supply of capital changed, causing the price of capital to fall by 50 per cent of their prior level. Analyze how this change would influence the demand for labor and support your explanation with appropriate graphical illustrations.

(08 Marks)
(Total Marks 14)

Question 03

- I. Discuss the practical application of the signaling model with a graphical illustration. (06 Marks)
- II. A well-structured compensation scheme is vital for attracting top talent, boosting employee morale, and enhancing overall organizational performance. Discuss three (03) types of compensation schemes with practical examples and relevant graphical illustrations. (08 Marks)
- (Total Marks 14)

Question 04

- I. A firm obtains maximum profits under a fixed wage scheme in an imperfect market. Do you agree with the above statement? Briefly explain. (06 Marks)
- II. Describe how the indifference curve of the worker is important in deriving the same utility to an individual in an imperfect labor market. Support your answer with an appropriate graphical illustration. (08 Marks)
- (Total Marks 14)

Question 05

- I. Briefly explain the significance of “iso-cost” and “iso-quant” curves in making decisions relevant to labor economics. (06 Marks)
- II. Describe how “Worker Heterogeneity” contributes to gaining maximum productivity from the labor (08 Marks)
- (Total Marks 14)

Question 06

Write short notes on the following four (04) concepts

- I. Economic Rent
- II. Input-Based Pay vs. Output-Based Pay
- III. Up or Out Rule
- IV. Horizontal and Vertical Gender Segmentation

(Each carries 03.5 Marks)
(Total Marks 14)
