



G.C.E. A/L Examination July - 2019
Conducted by Field Work Centre, Thondaimanaru
In Collaboration with
Provincial Department of Education Northern Province

Grade – 12 (2020)	21	E	I,II	Economics	Time : 3 hours
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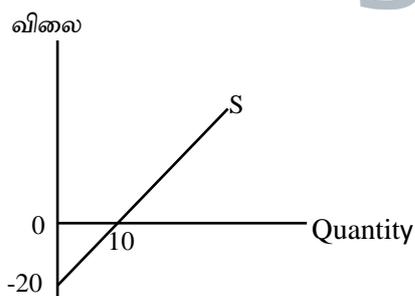
Part I

❖ **Answer the all questions.**

➤ **In each of the questions 01-20 .Pick the correct or most appropriate answer.**

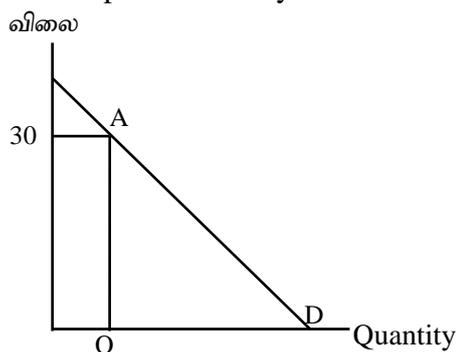
01. Which one of the following is acceptable by you regarding the economic resources?
- 1) has alternative Usage
 - 2) has scarcity
 - 3) gets from by production
 - 4) property rights is owned by individual
 - 5) supply is inelastic
02. Which is to be considered related to when taking economically decision of a particular activity.
- 1) Resource Scarcity and Opportunity Cost
 - 2) Resource scarcity and Alternative Usage
 - 3) Marginal benefits and Marginal Costs
 - 4) Resource scarcity and Choices
 - 5) Unlimited wants and limited resources
03. Which of the following is correct that if production possibility frontier of a country would be concave to origin with food production in y axis and cloth production in X Axis.
- 1) Scarified unit of cloth ratio is constant to get additional unit of food production.
 - 2) Scarified unit of food ratio is constant to get additional unit of cloth production
 - 3) Scarified unit of cloth production ratio decreases to get additional unit of food production
 - 4) Scarified unit of food production ratio increases to get additional unit of cloth production
 - 5) Scarified unit of food production ratio decreases to get additional unit of cloth production.
04. Which one of the following causes for forming a mixed Economy in the world?
- 1) Instances of Failure of price mechanism in market Economy
 - 2) There are no secure Private property rights in Market Economies.
 - 3) Economic decision based on profit motive ever would be disadvantage
 - 4) Resource allocation would be efficient in market economies.
 - 5) Occurred Highly competition in market economies will effect on consumer welfare

05. How can be shown effects of substitution effect and income effect by changes of demand curve for normal goods?
- 1) Rightward shifting the demand curve
 - 2) Leftward shifting the demand curve
 - 3) Shifting the demand curve
 - 4) Point movement from a demand curve to another demand curve
 - 5) Point movement along a demand curve
06. Which of the factor influencing on price elasticity of demand for a good?
- 1) Particular good has more substitutes
 - 2) Small portion of the income spend for particular good consumption
 - 3) Easy factor mobility among the productions
 - 4) Particular good is not essential good
 - 5) Time is long after changing price
07. Which of the following is correct according to reasons for shifting to the left side of linear demand curve for a normal good?
- 1) Decreased in price of the particular goods
 - 2) Provided special subsidy for particular goods production
 - 3) Decreased in production cost of particular good
 - 4) Imposed tax on particular good consumption
 - 5) Increased in price of inputs for particular good production
08. The linear supply curve for a particular good is given below. What is the supply equation for this supply curve?



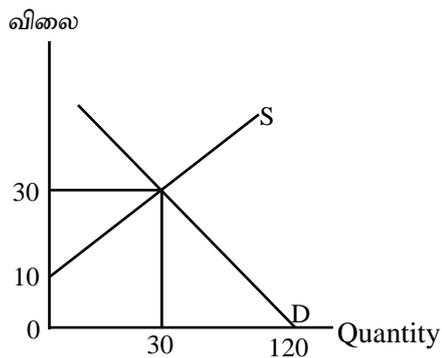
- 1) $QS = 10 + 0.5P$
- 2) $AS = 10 + 2P$
- 3) $QS = 20 + 10P$
- 4) $QS = 10 - 20P$
- 5) $QS = -20 + 10P$

09. Price elasticity of demand at A point on a given demand curve for a particular good is - 1.5. What is the price elasticity of demand at price Rs 10.



- 1) - 2.5
- 2) - 0.4
- 3) - 0.25
- 4) - 1.00
- 5) - 2.00

10. The following graph is shown for Market Equilibrium for a particular good.



Which of the answer is correct according to expected cash amount to pay for equilibrium quantity by consumer and expected cash amount to receive for equilibrium quantity by producer?

Expected cash amount to pay by consumer

- 1) 450
- 2) 300
- 3) 900
- 4) 900
- 5) 1050

Expected cash amount to receive by producer

- 300
- 450
- 1050
- 600
- 600



11. When increases price of particular goods as imposed unit taxes on particular goods by the government.

- 1) Particular good has inelastic demand and Elastic supply.
- 2) Particular good has inelastic supply and elastic demand
- 3) Particular good has perfectly inelastic demand and elastic supply
- 4) Particular good has perfectly elastic demand and elastic supply
- 5) Particular good has inelastic demand and inelastic supply

12. Which of the following is correct according to changes that imposes maximum price policy for an essential good in competitive market and if import excess demand,

Exchange Amount

- 1) Increases
- 2) Increases
- 3) Decreases
- 4) Decreases
- 5) Decreases

Consumer Surplus

- Increases
- Increases
- Decreases
- Increases
- Increases

producer surplus

- Increases
- Decreases
- Decreases
- Increases
- Constant

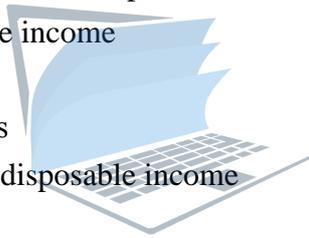
13. Which of the following is not correct according to Average variable cost and marginal cost of a firm when gradually increase their output in short run.
- 1) When increase marginal cost and average variable cost, rate of increase in average variable cost is less than rate of increase in marginal cost.
 - 2) Average variable cost intersects minimum point of the marginal cost curve
 - 3) When decreases marginal cost and average variable cost, rate of decreases in average variable cost is less than rate of decrease in marginal cost
 - 4) Marginal cost would be equal to average variable cost at minimum point of the average variable cost
 - 5) At Initial stage Average variable cost and marginal cost decrease and then increase
14. Which one of the following is correct about sunk cost in production cost of a firm?
- 1) Expenditures on fixed equipments which cannot be recovered
 - 2) Minimum cost of the average variable cost of a firm
 - 3) Depreciation for Used All fixed factors in production
 - 4) Expenditures on owned factor of a firm
 - 5) Depreciations in long run production
15. Some of the information of a Perfect competitive firm in short run is given below. What is average variable cost at 5th Unit.?

Outputs	1	2	3	4	5
Total costs	80	95	105	125	165
Marginal Costs	25	15	10	20	40

- 1) Rs. 11
- 2) Rs. 08
- 3) Rs. 33
- 4) Rs. 22
- 5) Rs. 165

16. Which of the following is considered as wrong by you according to business cycle of the economy?
- 1) It occurs Trend of real product is compared to potential output
 - 2) It explains such as Economic recession, economic depression, prosperity,
 - 3) It explains that trend of real product with time
 - 4) It explains that fluctuations in real output.
 - 5) It explains that effects of terms of trade
17. Which of the following is leakage from Income and Expenditure circle of an economy?
- 1) Government consumption Expenditure
 - 2) Investment Expenditures
 - 3) Net Exports
 - 4) Government net Taxes
 - 5) Export Income from

18. Which is correct about gross value added?
- 1) It is obtained by deducting the value of intermediate goods from gross production value.
 - 2) Money value of all produced goods and services of an economy
 - 3) It includes Money value of all produced goods and services of an economy with value of net taxes on that product
 - 4) Money value of intermediate goods for production of an economy
 - 5) Money value of all produced goods and services of an economy with value of deducted other taxes on product
19. Consumption of a simple economy is $C = 400 + 0.6Y$. If National Equilibrium Income of this economy is 2000 million, What is investment level?
- 1) 300 mil
 - 2) 500 mil
 - 3) 400 mil
 - 4) 600 mil
 - 5) 200 mil
20. When consumption function is below the 45 degree curve, Household Sector
- 1) All disposable income spent for consumption
 - 2) Consume more than disposable income
 - 3) Save the all increased income
 - 4) Doesn't involve in any savings
 - 5) They would save a part of the disposable income



(20X1=20 marks)

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Part II

❖ Answer any four questions.

01.

- i) Define the concepts of Opportunity Cost? What are causes for it? (4 marks)
- ii) Identify the economic systems based on mechanism taking economic solutions. (4 marks)
- iii) What are the conditions must be satisfied for achieving productive efficiency allocative efficiency in each economy? (4 marks)
- iv) How the following events would be shown on production Possibility Frontier.
 - a) Increases inflow of foreign Investment to the Economy
 - b) Increases the efficiency of input than earlier
 - c) Agricultural Lands were split and used to build building.
 - d) Getting maximum output from inputs (4 marks)
- v) Why do Production Possibility Frontiers of the most of the countries have concave to origin? (4 marks)

02.

- i)
 - a) Explain Substitution effect and Income Effect of a price changes. (4 marks)
 - b) How would be substitution effect and Income effect of a price Changes according to normal goods? (2 marks)
- ii) What are the factors influencing on shifting market demand curve of a good to the left side? (3 marks)
- iii) State three features occurred in free market Equilibrium of a particular good. (3 marks)
- iv) Some of the data relevant for market demand and Supply schedules are given below.

Price(Rs)	Quantity Demanded	Quantity Supplied
10	500	100
50	100	500

- a) Derive the equations for supply and demand curve.
- b) Compute the market Equilibrium Price and Quantity Using demand and Supply Equations.
- c) Show the above Equilibrium Situation in a graph.
- d) Calculate the Demand Elasticity and Supply Elasticity at Equilibrium price. (4X2= 8 marks)

03.

- i) Give four effects by providing subsidy for a particular good production in the market for particular goods. (4 marks)
- ii) What is meant by Maximum Price Policy and give examples for it. (3 marks)

iii) The market demand and Supply for a line are described by the following Equations.

$$Q_d = 160 - 4P$$

$$Q_s = -30 + 6p$$

Assume the government imposes a unit tax of Rs 10 on particular good production.

- a) What are the changes in market Price and market quantity after imposed tax? (4 marks)
- b) What are the changes in consumer's surplus as imposed tax? (3 marks)
- c) What are the changes in producer's surplus as imposed tax? (3 marks)
- d) What is Dead weight Loss by government intervention? (3 marks)

04.

- i) Distinguish between Short Run production Function and Long run Production Function. (4 marks)
- ii) Explain the concepts return to scale and economies of scale. (4 marks)
- iii) Define the Fixed costs and variable costs of a firm for short run production using examples. (4 marks)
- iv) Why do same Marginal revenue at all output levels of a perfect competitive firm in short run production. (4 marks)
- v) Write four features to identify the Oligopoly market. (4 marks)

05.

- i) Define the production Boundary and list out some economic activities including production boundary. (5 marks)
- ii) Write two sub groups of unobserved economic activities? Explain (5 marks)
- iii) What are the transactions ignored while calculating Gross Domestic Product? (4 marks)
- iv) The information pertaining to a hypothetical economy for a particular year is given

below(All figures are in Rs. Billion)

Net operating surplus	60
Compensation of Employees	140
Mixed Income	30
Fixed Capital Consumption	40
Net other taxes on products minus subsidies	20
Net foreign primary income	(-20)
Net indirect taxes	10

Calculate the Following,

- a) Gross value added at basic Price(GVA_{bp})
- b) Gross domestic Income at Market Price.(GDP_{mp})
- c) Gross National Income

(3X2 = 6 marks)

06.

- i) Explain Macroeconomic Equilibrium of simple economic model using a diagram. (5 marks)
- ii) Explain relationship between Investment Multiplier of a simple economy and Marginal Propensity to consume of an Economy. (4 marks)
- iii) Explain how increase in government purchases influence on equilibrium output Using Income and Expenditure approach diagram. (4 marks)
- iv) The following information pertaining to a hypothetical closed Economy.(All figures are in Billion Rupees)

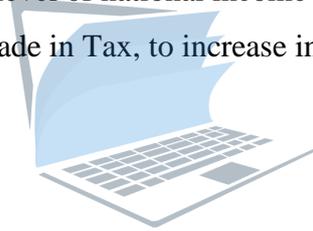
Consumption function $C=400+0.8y_d$

Investment $I=100$

Government Expenditures $G=180$

Tax $T=100$

- a) Calculate the total autonomous Expenditure. (2 marks)
- b) Calculate the equilibrium Level of national income of this economy (3 marks)
- c) What changes should be made in Tax, to increase income of this economy by 100billion? (2 marks)



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