



G.C.E. A/L Examination November - 2019

Conducted by Field Work Centre, Thondaimanaru

In Collaboration with

Provincial Department of Education Northern Province

Grade – 12 (2021)

21

E

I,II

Economics

Time : 3 hours

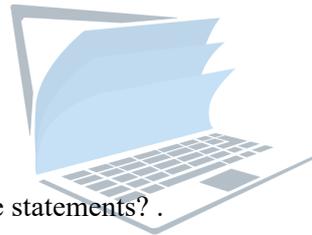
Part I

❖ Instructions

- Answer the all questions.
- Select correct answer.

01. The correct combination of human needs and wants are respectively.

- 1) Education, Medicine
- 2) Medical studies, Education
- 3) Food, Vegetarian food
- 4) Health, Education
- 5) Vegetarian food, food



02. Which of the following is a normative statements? .

- 1) In last five years, average economic growth rate of Sri Lanka is 4%
- 2) Economic growth rate should be grater than 10% to achieve as a developed country
- 3) The current unemployment rate is 3%
- 4) Life expectancy of people in Sri Lanka is 74 years.
- 5) When price of a particular good increase, quantity demanded decrease.

03. Why scarcity is considered as a central economic problem?

- 1) Due to the poverty.
- 2) Due to the shortage of resources
- 3) Due to the unlimited wants
- 4) It is common for all economic activities
- 5) Differ from country to country

04. Which of the following statement is correctly described a bout the opportunity cost?

- 1) Positive in relation to economic good
- 2) Negative in relation to free good
- 3) It will also be in utilization of resources.
- 4) It will be in consumption of all goods
- 5) It is not included in economic cost

05. An economy which has private ownership of resources and government intervention to promote social justice. This economy is called on a

- 1) Market economy
- 2) Socialist economy
- 3) Socialist market economy
- 4) Social market economy
- 5) Traditional economy

06. The production level of two goods which can be produced by equal number of employee are given below.

Cloth	0	10	20	30	40	50
Food	0	25	45	60	70	75

The correct statement of this shape of PPC is

- 1) Straight line
- 2) Constant slope
- 3) resources are fully substitute
- 4) Concave to origin
- 5) Constant marginal opportunity cost

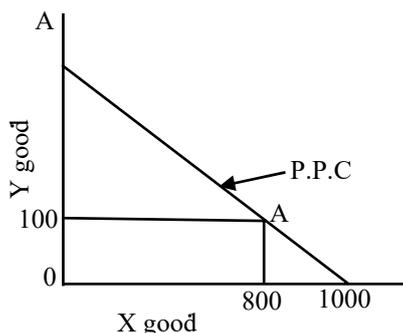
07. Which of the following statement is correct about economic efficiency?

- 1) Maximum level of efficiency utilization of resources of country
- 2) The production point on the production possibility curve (PPC) Decreased in price of the particular goods
- 3) The production point inside the PPC
- 4) Allocative efficiency production point on the PPC
- 5) The point which is not increase the production without sacrificing another production

08. Which is correct in terms of economic resources?

- 1) Free books of government
- 2) Air which is used to breath
- 3) Irrigation water which is used to agriculture.
- 4) Sunlight which is used to agriculture.
- 5) Equipment which is used at house

09. In the PPC, the roduction units of Y good at point A .



- 1) 500
- 2) 400
- 3) 1000
- 4) 2000
- 5) 2500

10. What is meant by productivity of resource?

- 1) Average output per unit of input
- 2) less cost utilization of resources
- 3) Maximum utilization of resources
- 4) Production ability of employee
- 5) level of utilization of resources

11. The reason for the rightward shift in demand curve.

- 1) fall in price of a good.
- 2) rise in price of a good.
- 3) increase in quantity demanded in it's all prices.
- 4) expect that the price will decrease in future
- 5) fall in consumer income

12. Which of the following combination is correctly described about the normal good?

Income effect	Substitution effect
1) Positive	Positive
2) negative	Positive
3) negative	negative
4) positive	negative
5) Zero	negative



13. When price of a particular good increase, consumers buy more of that good and when consumer income increase. Consumers buy less of that good.

So, that good is

- 1) an inferior good
- 2) Geffen good
- 3) necessity good
- 4) a normal good
- 5) Agriculture good

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14. Upward moving along the demand curve indicates.

- 1) decrease in demand
- 2) increase in quantity demand
- 3) decrease in consumer real income
- 4) increase in demand
- 5) extension of demand

15. Price elasticity of demand of a particular good is zero. So

- 1) When price of a good increase, sales income will decrease.
- 2) When price of a good decrease, sales income will decrease.
- 3) Although price of a good change, sales income remains constant
- 4) When price of a good decrease, sales income will increase.
- 5) Price increasing rate is equal to increase in sales income

16. Which of the following is correct in relation to normal good?

Price elasticity of demand	Income elasticity of demand
1) Positive	negative
2) negative	negative
3) negative	positive
4) negative	positive
5) Zero	positive

17. In the demand equation of  $Q_d = 400 - 20p$ , the price and quantity demanded of the point of unitary elastic demand are respectively.

- 1) Rs. 20, 400 units
- 2) Rs. 20, 200 units
- 3) Rs. 10, 200 units
- 4) Rs. 10, 100 units
- 5) Rs. 40, 400 units

18. Which of the following is correctly described about demand elasticity?

- 1) cross elasticity of demand is positive in relation to substitute good.
- 2) Income elasticity of demand is negative so that is complementary good.
- 3) Price elasticity of demand is positive so that is normal good.
- 4) The nature of the good is a cross elasticity of demand

19. ....

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20. Which of the following factor influence the rightward shift in supply curve.

- 1) Favourable changes of consumer taste
- 2) Increase in production cost
- 3) Backward Technology used.
- 4) Reducing govt subsidy
- 5) Govt tax reduction

(20X1=20 marks)

## Part II

### ❖ Answer the four questions.

#### Subsection A

(Select 2 questions from this section)

01.

- i) When production resources are engaged in production, opportunity cost can be avoided. Do you agree with this statement? (4 marks)
- ii) What is meant by scarcity problem in economics? Why is called as central economic problem? (4 marks)
- iii) What is meant by economic good? (4 marks)
- iv) Explain the term of production efficiency? (4 marks)
- v) What are the main functions of entrepreneurship? (4 marks)

02.

- i) What are the causes of increasing opportunity cost? (4 marks)
- ii) How to explain the rightward shift of production possibility curve? (4 marks)
- iii) Give the uses of PPC (4 marks)
- iv) Production combination on the PPC are given below.

X	40	25	10	5
Y	0	10	20	30

Economy currently produce 20 units of X goods and 10 units of Y good. If this economy increase X production, what is the opinion about opportunity cost? (4 marks)

- v) Explain the following events by using production possibility curve diagram.
  - 1) increase in production without opportunity cost.
  - 2) inflow of foreign investment into the country (4 marks)

03.

- i) What is meant by basic economic problems? Explain? (4 marks)
- ii) State the reasons for the variety of economic system? (4 marks)
- iii) What are the characteristics of social market economy? (4 marks)
- iv) How to solve the problem of how to produce in market economy? (4 marks)
- v) What are the criteria used to evaluate economic performance of an economy? (4 marks)

#### Sub section B

(Select 2 questions from this section)

04.

- i) What are the reasons for rightward shift in supply curve for rice? (4 marks)
- ii) When increase in price of X good, consumer purchases less amount of Y good. But they purchase large amount of Z good. So what are the relationship among the goods. (4 marks)
- iii) What are the concept of movement along the demand curve? (4 marks)

- iv) Will the quantity demanded for a particular good be decreased in any situation due to the increase in price when other factors remains const? (4 marks)
- v) The demand equation for a particular food is  $Q_d = 400 - 10p$
- (a) If the demand increase by 50% in all prices, what is the new equation? (2 marks)
- (b) If the demand increase by 100 units intially? (2 marks)

05. The following information are given below.

Price of X good	Qd for X good	Qd for Z good	Consumer Income
10	100	200	1000
15	80	160	140

Calculate the following

- 1) What is the value of income elasticity of demand?
- 2) What is the value of price elasticity of demand?
- 3) What is the value of cross elasticity of demand for X – Z
- 4) Will X and Y goods be substitutes?
- 5) Is X good an inferior?
- 6) Has X good elastic demand?

(2 X 6 = 12 marks)

B) Will the sales income increase? decrease? constant? due to the following situation.

- 1) In elastic demand and decrease in price
- 2) Elastic demand and decrease in price.
- 3) Unitary elastic demand and increase in price.
- 4) Zero elastic demand and increase in price.

(2 X 4 = 8 marks)

06.

Price	Quantity demanded
10	200
20	500

- 1) Give demand equation for this good. (4 marks)
- 2) In which the price range will the price elasticity of demand be elastic demand in the demand equation of  $Q_d = 20 - 5p$  (4 marks)
- 3) What are reasons for law of demand? define that? (4 marks)
- 4) The good which has positive income effect and negative substitution effect. Explain the nature of this good. (4 marks)
- 5) What are the reasons for law of supply? (4 marks)