



G.C.E. A/L Examination March - 2020

Conducted by Field Work Centre, Thondaimanaru

In Collaboration with

Provincial Department of Education, Northern Province.

Grade :- 12 (2021)

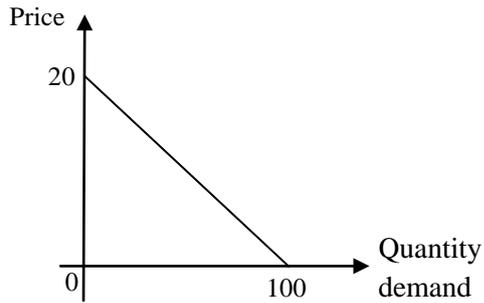
Economics

Time :- 3 Hours 10 minutes

Part - I

01. Which of the following is an example for positive statement as theoretical wise.
- 1) Income distribution of Sri Lanka is unfair.
 - 2) There are positive relationship between money supply and general price level.
 - 3) Gold' price of Sri Lanka has increased.
 - 4) Individuals and firms in making decision regarding the interactions among these individuals and firms
 - 5) That studies the behaviour and performance of an economy as a whole.
02. When same technology are used in two production of goods,
- 1) Production possibility curve will be concave.
 - 2) Opportunity cost for vertical axis goods will increase, when increase the production of horizontal axis goods.
 - 3) Sacrificinc amount remains constant for increasing another good production
 - 4) Opportunity cost will be decreased.
 - 5) Opportunity cost will be zero.
03. Which of the following is a fixed capital.
- 1) Semi finished good
 - 2) Natural capital
 - 3) Factories
 - 4) Bank deposits
 - 5) Scarcity resources
04. The economic system which have private ownership and government intervention in the utilization of resources. This is called as
- 1) Market economy
 - 2) Mixed economy
 - 3) Socialist market economy
 - 4) Social market economy
 - 5) Capitalist economy
05. The reason for the large right ward shift of production possibility curve of a country than before is
- 1) Technology improvement
 - 2) increase in resources
 - 3) Export of resources
 - 4) Management slcill
 - 5) increase in capital goods production and technology improvement
06. Which of the following factor is not influence in the individual demand.
- 1) real income
 - 2) price of related goods
 - 3) number of consumer
 - 4) expectations
 - 5) increase in price of a particular good

07. The demand equation of the following graph is



- 1) $Qd = 100 - 2P$
- 2) $Qd = 100 - 5P$
- 3) $Qd = 100 + 5P$
- 4) $Qd = 20 + 5P$
- 5) $Qd = 20 - 5P$

08. The demand equation of electric bulb is $Qd = 800 - 10P$, What is the price elasticity of demand at price Rs. 50?

- 1) -0.66
- 2) 1.66
- 3) -1.44
- 4) -2.0
- 5) -1.66

09. If a firm is reduced its price of a good to increase its profit.

- 1) The firm should produce in elastic demand goods.
- 2) The firm should produce elastic demand goods.
- 3) The firm should produce perfectly inelastic goods.
- 4) The firm should unitary elastic demand goods.
- 5) The firm should produce perfectly elastic demand goods.

10. Which one of the reason for the right ward shift of supply curve of a firm?

- 1) Increase in marginal cost of production
- 2) Increase in price of goods.
- 3) a decrease in real income
- 4) expectation that increase in price of good in price.
- 5) increase in price of joint supply good.

11. If income effect of a good is -40 units and substitution effect is -10, that good is

- 1) a normal good
- 2) an inferior good
- 3) Giffen good
- 4) necessity good
- 5) consumption good

12. The demand and supply equation of a good is $Qd = 1000 - 25P$, $Qs = -600 + 25P$. Highest demand price and minimum supply price are

	Highest demand price	Minimum supply price
1)	Rs. 15	Rs. 32
2)	Rs. 32	Rs. 15
3)	Rs. 40	Rs. 24
4)	Rs. 28	Rs. 14
5)	Rs. 40	Rs. 28

13. Consider that equilibrium price is Rs. 40. The demand equation of a good is $Q_d = 600 - 10P$. When highest demand price of demand curve of a good remains constant. and the price decreases as Rs. 1.00, the quantity demanded will increase as 20 units.

	Initial consumer surplus	New consumer surplus
1)	Rs. 2000	Rs. 4000
2)	Rs. 4000	Rs. 2000
3)	Rs. 2000	Rs. 2500
4)	Rs. 3000	Rs. 4500
5)	Rs. 2000	Rs. 2000

14. The demand and supply equations of a particular good is given below.

$$Q_d = 800 - 10P$$

$$Q_s = -200 + 10P$$

If the government imposes a unit tax on a good an Rs 10, What is the value of tax per unit for consumer and producer?

	Tax burden of consumer	Tax burden of producer
1)	Rs. 5	Rs. 2
2)	Rs. 3	Rs. 5
3)	Rs. 5	Rs. 5
4)	Rs. 10	Rs. 5
5)	Rs. 5	Rs. 10

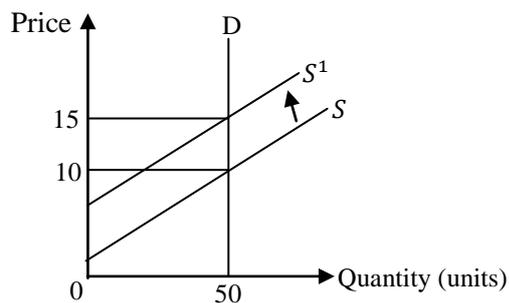
15. The demand and supply equation of a particular good is given below.

$$Q_d = 700 - 5P$$

$$Q_s = -200 + 10P$$

- 1) Rs. 50 2) Rs. 60 3) Rs. 40 4) Rs. 100 5) Rs. 80

16. The following diagram shows that imposing a unit tax on a particular good.



	Consumer surplus	Loss of social welfare
1)	Decrease Rs. 250	Rs. 250
2)	Decrease Rs. 800	Rs. zero
3)	Decrease Rs. 250	Rs. zero
4)	Increase Rs. 100	Rs. 80
5)	Rs. 120	Rs. 20

17. When the function of Law of diminishing returns

- 1) Marginal product, total product and average product will decrease.
- 2) Marginal product will decline and increase average product
- 3) Marginal cost will increase and average product decrease.
- 4) Marginal product increase and increase total product at increasing rate.
- 5) Marginal product and average product will decrease and also decrease total product.

18. The following report of an economist are related to costs of Garments Industrial firm.

Details of cost	Million Rupees
1) Purchasing raw material	45 000
2) Salary for employee	30 000
3) Profit	8 000
4) Bank loan interest	5 000
5) Loss of interest income of entrepreneur	5 000
6) Rent for building	7 000

140 units are sold by the firm at per unit of Rs. 100. Which of the following combination is correct according the above information.

	Explicit cost	Economic Cost	Economic profit
1)	Rs. 40 000	Rs. 100 000	Rs. 40 000
2)	Rs. 87 000	Rs. 100 000	Rs. 40 000
3)	Rs. 100 000	Rs. 87 000	Rs. 50 000
4)	Rs. 100 000	Rs. 40 000	Rs. 87 000
5)	Rs. 87 000	Rs. 40 000	Rs. 100 000

19. The perfectly competitive firm received Rs. 125 000 as total revenue at maximum profit level of out put. and making loss at Rs. 25 000. In the level of output, The firm which has average variable cost an Rs. 100 and marginal cost Rs. 125. Total cost and average fixed cost of this firm are respectively.

- 1) Total cost Rs. 150 000 and Average fixed cost Rs. 50
- 2) Total cost Rs. 150 000 and Average fixed cost Rs. 100
- 3) Total cost Rs. 100 000 and Average fixed cost Rs. 50
- 4) Total cost Rs. 100 000 and Average fixed cost Rs. 150
- 5) Total cost Rs. 150 000 and Average fixed cost Rs. 70

20. The returns to scale means

- 1) The ratio between percentage change in input and percentage change in out put.
- 2) The ratio between the percentage change in all input prices and the percentage change in output.
- 3) Due to the percentage change in input, the percentage of output will be occurred.
- 4) The ratio between percentage change in all variable input and change in percentage change in output.
- 5) The relationship between the marginal substitute ratio and marginal technical ratio.

Part – II
Sub – Section “A”

Select two questions from this section

01. i) Explain the term of “Scarcity” (3 Marks)
- ii) Explain the relationship between scarcity. Choice and opportunity cost. (4 Marks)
- iii) What are the basic economic problems of economics? Why does basic economic problems arise? (4 Marks)
- iv) Explain the renewable and non renewable resources with examples. (6 Marks)
- v) What are the functions of price? (3 Marks)
02. i) Define the production possibility curve? (4 Marks)
- ii) Explain the following by using production possibility curve that the shape of increasing opportunity cost?
- a) Privatization of an inefficiency industry (2 Marks)
- b) An industry face economic recession (2 Marks)
- c) Consumption level of a country increases due to an international trade (2 Marks)
- iii) What is meant by economic resources? What are the kind of economic resources? (5 Marks)
- iv) What are the difference between labour and capital (5 Marks)
03. i) What are the three factors that determine effective demand? (3 Marks)
- ii) Explain the demand equation which is downward sloping? (4 Marks)
- iii) Why the demand curve of Giffen goods slopes upward? (4 Marks)
- iv) When the price of an inelastic demand good increases, how does price elasticity of demand change? (5 Marks)
- v) What are the factors that determine price elasticity of demand? (4 Marks)

Sub – Section “B”

➤ **Select two questions from this section.**

04. i) Explain the term of highest demand price and highest quantity demanded by using graph. (5 Marks)
- ii) Consider that the demand for rice is inelastic and the demand for cloth is elastic. In the government impose a unit tax on these goods, what will the effect occur due to the tax? Explain that (5 Marks)

iii) The demand and supply equations of a particular good are given below.

$$Qd = 450 - 10P$$

$$Qs = -550 + 15P$$

- a) What is the value of equilibrium price and quantity? (2 Marks)
- b) If the government provide a unit subsidy as Rs. 10 to the particular good which is sold in a market Calculate the following
- Consumer payable price.
 - Producer receiving price. (4 Marks)
- c) What is the value of change in consumer surplus after subsidy? (4 Marks)

05. i. Why the demand curve of a perfectly Competitive firm is parallel to horizontal axis? Explain

(4 Marks)

ii) What are the similarities of perfectly competitive firm and monopolistic competitive firm?

(2 Marks)

iii) What are natural and artificial barriers to entry in monopolistic firm?

(2 Marks)

iv) Distinguish between marginal revenue and marginal cost of a perfectly competitive firm?

(4 Marks)

v) Output and cost of a perfectly competitive firm are given below.

(4 Marks)

Item	Amount (Rs)
Abnormal profit	2500
Marginal Cost	50
Variable cost per unit	40

When output of firm is 500 units, What is the value of Average fixed cost (AFC)?

(4 Marks)

06. i) Explain the short run and long run of production theory?

(4 Marks)

ii) What is meant by “economies of scale”?

(4 Marks)

iii) How to influence law of diminishing marginal returns in short run costs? Explain. (4 Marks)

iv) The output of firm is 1500 units. and market price is Rs. 150

If Economic profit is Rs 25000 and producer surplus is 95 000. Calculate the following

1) Total variable cost. (TVC) (2 Marks)

2) Average variable cost (AFC) (3 Marks)

v) Explain the reason for marginal cost increases in short – run? Explain

(3 Marks)