



# **G.C.E. A/L Examination June - 2019**

**Conducted by Field Work Centre, Thondaimanaru**

**In Collaboration with**

**Provincial Department of Education Northern Province**

**Grade – 13 (2019**

**21**

**T**

**I**

**Economics - I**

**Time : 2 hours**

## **Part – I**

❖ **Answer the all questions.**

❖ **In each of the questions 01-50 .Pick the correct or most appropriate answer.**

01. Which one of the following cause for “scarcity is considered as a central problem of economics”?

- 1) Occurs unlimited human wants and limited Resources
- 2) Existing Available resources are sufficient to satisfy human wants.
- 3) It is common to market economic societies
- 4) It causes for economic activities such as production and consumption
- 5) All societies face basic economic problems.

02. One of the features of economic good is,

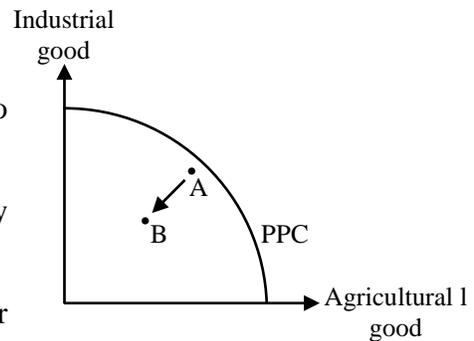
- 1) It has opportunity cost in production and consumption
- 2) It is produced at zero opportunity cost with factor cost
- 3) It is produced at increasing opportunity cost
- 4) It is produced using with scarcity resources
- 5) If it has unlimited supply, is received at zero price

03. Which is important factor influencing on factor owner’s income

- 1) Receiving quantity of rent, interest, wage and salaries, and profits
- 2) Occurring Excess demand and factor price raises in factor market
- 3) Factor owners having factor ownership and price levels
- 4) At production activities using capital and labour joining level
- 5) Level of taxes imposing by the government on factor owners

04. Which is considered as suitable events for point movement from B to A on the given production possibility frontier.

- 1) Decreases stock of capital due to natural disaster
- 2) Providing jobs to unemployed youths
- 3) Decreasing real output level in long term due to diminishing aggregate demand
- 4) Decreasing resource utility as power cut in many hours due to drought
- 5) Decreasing quantity of water needed for agriculture due to drought



05. When equilibrium price of the X good is Rs 40 and Equilibrium quantity is 400 units, consumer surplus is Rs. 8000. What would be maximum demand price of this good.

- 1) Rs. 80
- 2) Rs.60
- 3) Rs.40
- 4) Rs.20
- 5) Rs.100

06. When decreases price of A good, If relatively negative income effect was greater than negative substitution effect, A good is,

- 1) Luxury good
- 2) Essential good
- 3) Inferior good
- 4) Normal good
- 5) Giffen good

07. Which one of the following force for shifting the supply curve to the right sight?

- 1) Increase piece of the perticular goods
- 2) Increase piece of relative goods
- 3) Increase piece of input
- 4) Producer expect price of particular goods in future
- 5) Increase subsidy provide that by government

08. Supply equation was  $QS=200+10P$ . When price of cigarette increases from 50 to 60, It's price elasticity of demand.

- 1) Increases from 300 to 400
- 2) Increases from 1.50 to 1.67
- 3) Decreases from 1.75 to 1.5
- 4) Decreases from 1.67 to 1.5
- 5) Decreases from 1.77 to 1.5

09. Garments were sold 5000 units at Rs 1500 in competitive market in a particular year. If in another year that Garments were sold 6000 units at Rs.1500, Demand for garments and supply for garments ,

<b>Demand</b>	<b>supply</b>
1) Increases	Increases
2) Decreases	Decreases
3) Decreases	Increases
4) Increases	Decreases
5) Increases	Constant

10. Assume a company producing “Samaposhha” supply 1000 packets for a month at Rs 500 per 1kg packet and If occur that price is Rs 200 , company cannot supply it. When company supply 1000 packets, which of the following is correct related to total income of the company, producer surplus and total variable cost.

<b>Total Revenue</b>	<b>Producer Surplus</b>	<b>Total variable cost</b>
1) 50000	15000	35000
2) 500000	250000	250000
3) 500000	150000	250000
4) 500000	150000	350000
5) 500000	350000	150000

11. Demand equation of X good is  $Q_d=600-2p$  and supply equation is  $Q_s=3p$ . Assume Unit tax as Rs.20 imposes by the government. What would be total tax burden of producer?

- 1) Rs 4032    2) Rs.2688    3) Rs.6720    4) Rs. 3360    5) Rs.5960

12. Supply equation of X good is given below.

$$Q_{SA} = 30 + 5P$$

Assume the government provides unit subsidy for this good as Rs 6. What would be quantity supplied at Rs 4 after providing subsidy.

- 1) 50 units    2) 60 Units    3) 70 Units    4) 80 Units    5) 90 Units

13. Price of a bushel paddy was Rs 2000 in paddy competitive market. Assume the government implements control price as Rs 3000 for a bushel of paddy in support paddy cultivators and purchases excess production forming in market. In this situation, which of the following is correct according to changes of consumer surplus, producer surplus and dead weight loss?

<b>Consumer Surplus</b>	<b>Producer surplus</b>	<b>Dead weight loss</b>
1) Increases	Increases	Decreases
2) Decreases	Decreases	Increases
3) Decreases	Increases	Increases
4) Decreases	Increases	Decreases
5) Increases	Increases	Increases

14. Which of the following is correct related to describing functions of law of diminishing marginal returns.

- 1) When add more variable factor with a fixed factor, total production increases at increasing rate.
- 2) Increasing rate of all inputs are more than increases total output of a firm at decreasing rate.
- 3) Decreases average variable cost and marginal cost of a firm
- 4) When increase all factors, total production increases at decreasing rate.
- 5) When adding more variable factor with a fixed factor , decreases average product and marginal product of variable factor

15. Marginal cost of producing X good in short run is given the following table.

X Good (units)	1	2	3	4	5	6	7
Marginal cost	40	35	28	32	45	60	80

If fixed cost of this firm is Rs.200, what is the value of average total cost for produce 5 units of output?

- 1) Rs.36      2) Rs.56      3) Rs.84      4) Rs.76      5) Rs.73

16. Assume perfect competitive firm is at equilibrium. Which of the following statement is correct

- 1) It's average income is greater than marginal income
- 2) It's marginal cost curve intersects minimum point of the average variable cost
- 3) It's price would be equal marginal cost
- 4) It's price would be greater than marginal cost
- 5) It's price would be equal to marginal cost and total variable cost

17. When value of supply elasticity of a factor changes from infinitive to zero.
- 1) All factor earnings would be equal to economic rent
  - 2) All factor earnings would be equal to transfer earnings
  - 3) Quantity of transfer earnings would increase in factor earnings
  - 4) Quantity of economic rent would decrease in factor earnings
  - 5) Quantity of factor earnings is more than economic rent in factor earnings
18. When an economy move from recession period to depression situation. An Economy's
- 1) Real output and employment opportunities would be increase.
  - 2) Real output and unemployment rate would be decrease
  - 3) Real output and general price level would decrease
  - 4) Real output would decrease and inflation would increase
  - 5) Real output and employment opportunities would decrease and general price level would increase.
19. How could be called private and government institutions involving in goods production based on market?
- 1) The financial corporation sector
  - 2) The non-financial corporation sector
  - 3) Central government
  - 4) Household sector
  - 5) The non- profit institutions serving household sector
20. Which of the following equation is correct?
- 1) Gross domestic product at market price =Gross value added at basic price + Net subsidies on product
  - 2) Gross National Income= Gross domestic product +Net primary income sent to foreign
  - 3) Net domestic product=Gross Domestic product + Fixed capital consumption
  - 4) Resource endowment =Gross domestic product + Goods and services Export
  - 5) Gross domestic savings =gross domestic capital formation + Net goods and services exports
21. Which of the following is included in household income and in the gross national income of an Economy?
- 1) Capital consumption
  - 2) Company taxes
  - 3) Undivided company profits
  - 4) Employment Income
  - 5) Pensions

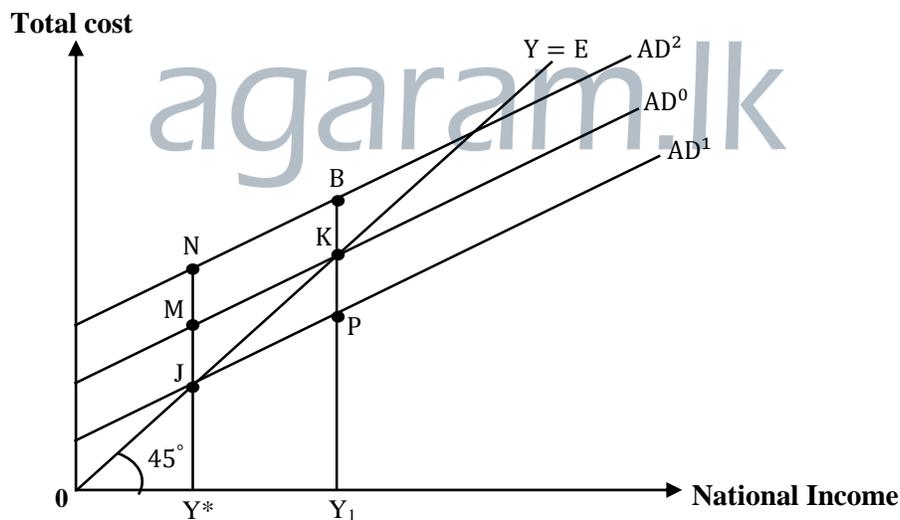
22. Which of the following is correct according to consumption equation is  $C=200+0.75Y$ .

- 1) Average propensity to consume would be same at all income level
- 2) When increases income level, Average propensity to consume would be decrease
- 3) When increases income level, Marginal propensity to consume would be decrease
- 4) When decreases income level, Average propensity to consume would be decrease
- 5) When decreases income level, Marginal propensity to consume and average propensity to consume would be constant

23. When occurring economy at equilibrium, Investment (I) is Rs.100million, Tax (T) is Rs.(50),Net export (NX) is Rs. -80 million, Government transfers is Rs. 20 million and budget deficit (BD) is Rs.100 million. How much is value of saving of an economy.

- 1) Rs.120mil
- 2) Rs.100mil
- 3) Rs.80mil
- 4) Rs.160mil
- 5) Rs.60mil

24.  $OY_1$  is Equilibrium level of national income and  $OY^*$  is Full employment level of national income are given in the following diagram. Which is inflationary gap of this economy?



- 1) KP
- 2)  $Y^* Y_1$
- 3) MK
- 4) MJ
- 5) JK

25. What is weighted average of food and non-alcoholic beverages in national consumer price index (2013=100) used to measure the changes in general price level in Sri Lanka?

- 1) 28.2
- 2) 18.0
- 3) 9.8
- 4) 32.0
- 5) 44.0

26. Nominal domestic production of an economy increased by 10 percent. Velocity of money remains constant and when real domestic product increases by 4 percent, what would happen to general price level?

- 1) Increases by 6 percent      2) Increases by 10 percent      3) Increases by 14 percent  
 4) Decreases by 6 percent      5) Decreases by 4 percent

27. Demand for money of household sector and business sector,

- 1) Decreases if income increases but increases if interest rate increases.  
 2) Increases if income decreases but increases if interest rate decreases  
 3) Increases If income increases but decreases if interest rate increases  
 4) Increases If income and interest rate increases  
 5) Constant if income increases but decreases if interest rate increases

28. Which one of the following is not included into the Intermediate financial institutions which had licensed to involve in banking activities by accepting deposits in Sri Lanka?

- 1) Licensed commercial bank  
 2) Pensions fund and Employee provident fund  
 3) Registered financial companies  
 4) Thrift and credit co-operative societies  
 5) Licensed Specialized Banks

29. Which is considered as a main objective of monetary policy of central bank of Sri Lanka?

- 1) Inflexible inflation targeting  
 2) Weighted average inter call money rate  
 3) Maintaining reserve money through money multiplier  
 4) Flexible inflation targeting with 4-6%  
 5) Flexible inflation targeting with 2 – 6%

30. A Balance sheet of a commercial bank is given below.

Liabilities(Value in Rs.Mill)		Assets(Value in Rs. Mill)	
Deposits	150,000	Reserves	50,000
		Treasury bills	30,000
		Loans	70,000
Total liabilities	150,000	Total Assets	150,000

If the Statuary reserve ratio is 7.5%, what is the maximum amount of new loan that this bank can make in future?

- 1) Rs.35000 mil                      2) Rs.38,750 mil                      3) Rs.516,667 mil  
 4) Rs.108,750 mil                      5) Rs.68,750 mil

31. Which of the following is not cause for market failure?
- 1) Does not consider an externality effects
  - 2) Occurring imperfect competition and private ownership
  - 3) Provides Social welfare goods at optimum level
  - 4) Provides more demerit goods than market optimum level
  - 5) Over usage of common resources
32. Which good has non excludability in consumption and rivalry in consumption?
- 1) Global peace
  - 2) Grass land
  - 3) Transport roads
  - 4) Heavy vehicles
  - 5) National security
33. Which of the following principle explains when collect tax, does not effect on resource allocation in an economy.
- 1) Equity
  - 2) Simplicity
  - 3) Economies
  - 4) Flexibility
  - 5) Efficiency
34. The balance of obtained after deducting recurrent expenditure from excluding Interest payment for loans by the government from total government revenue including grants and receipts is called as,
- 1) Current account balance of the government budget
  - 2) Total budget deficit of the government budget
  - 3) Net cash deficit of the government budget
  - 4) Overall balance of the government budget
  - 5) Primary account balance of the government budget
35. Which of the following are main tools used to get market loans to finance budget deficit in recent years by the Sri Lanka.
- 1) Treasury bills and Sri Lanka Development bonds
  - 2) Treasury bills and Treasury bonds
  - 3) Treasury bonds and central bank advances
  - 4) Sri Lanka Development bonds and central bank advances
  - 5) Treasury bills and Rupees loans

36. The following table is shown needed labour hours to get a output in Japan and Korea .

Countries	Electric bulb	Computer
Japan	4	20
Korea	5	50

Find a correct statement from the following using above given data?

- 1) Japan has absolute advantage in computer production and Korea has absolute advantage in electric bulb production
  - 2) Japan and korea have comparative advantage in electric bulb production and computer production
  - 3) Korea will export computer and Japan will export electric bulb
  - 4) Korea gets specialization in electric bulb production and Japan gets specialization in computer production
  - 5) Korea gets specialization in computer production and Japan gets specialization in electric bulb production
37. Which one of the following is related to natural benefits to a country by international trade?
- 1) Technological advancement
  - 2) Goods differentiation
  - 3) Increases consumption
  - 4) Economies of scale
  - 5) Trade agreements
38. The following table is given below shows economic performance of a country during two years.

Year	Export volume index	Import volume index	Exchange rate
1	100	100	175
2	90	100	175

- Which of the following is related above data?
- 1) Decreases import price
  - 2) Increases import price
  - 3) Decreases terms of trade
  - 4) Trade balance is going to bad
  - 5) Improvement in terms of trade
39. Which of the following foreign transactions can be entered as credit in service account of the balance of payment of Sri Lanka?
- 1) Export value of garments as 50,000 dollar to USA
  - 2) Sri Lankan maid working in middle east Send 1000 dollar to her parents
  - 3) Gets 50000 dollar to India by doing pilgrimages going from Sri Lanka to India..
  - 4) Getting entrance visa payments as 80 000 dollar by the foreigners coming to Sri Lanka.
  - 5) Paying 20000 dollar to the Japan ship company for using ship to bring motor vehicle from Japan to Sri Lanka.

40. Which of the following country is correct main source of import of Sri Lanka and its contribution rate in imports according to data year of 2017?
- 1) China 22%                      2) India 32%                      3) USA 29%  
4) India 29%                      5) India 22%
41. Which event depreciates Sri Lankan rupee against the US dollar in floating exchange market?
- 1) Increased labor of garments exports for USA  
2) Increased amount of tourist coming from USA to Sri Lanka  
3) Increased import expenditure from USA  
4) Increased import expenditure of USA from Sri Lanka  
5) Increased in inflow of investment of USA towards the Sri Lanka.
42. When member countries involve in trade with non-member countries in regional alliances, to make barriers by member countries according to their wishes and without any barriers to trade among the member countries? How can be called this Economic Integration?
- 1) Free Trade Agreement(F.T.A)  
2) Custom Union (CU)  
3) Common Market CM)  
4) Economic and Monetary Union (EU)  
5) Fully Economic Integration (FEI)
43. Which of the following related to definition of Economic growth?
- 1) Continuously increases in nominal domestic product  
2) Continuously decreases in real output  
3) Increases in real output due to increases of aggregate demand  
4) Continuously increases in potential output  
5) Shortly increases in real output
44. Which is not considered as a cost of economic growth?
- 1) Destroys nonrenewable resources  
2) Government fund is being strong  
3) Occurring Regional disparities  
4) Decreases current consumption  
5) Occurring external costs in production

45. Which of the following is correct related to value of Human Development Index of Sri Lanka and Rank recently?

HDI	Rank
1) 0.770	76
2) 0.766	76
3) 0.770	73
4) 0.786	76
5) 0.766	71

46. Which method is used to find inequilibrium in income distribution by the Department of census and statistics of Sri Lanka?

- 1) Human Development Index
- 2) Human Poverty Index
- 3) Quintile Dispersion Ratio
- 4) Lorenz Curve
- 5) Per capita GDP



47. The following table shows details of Population and Labour force for a given period.

Population (mil)	Employed Age Population	Employed Population	Unemployed Population
25	15 mil	10 mil	02 mil

Find Labor force Participation Rate and Unemployment rate of this economy

- 1) 80% and 16.66%
- 2) 60% and 16.66%
- 3) 80% and 66.66%
- 4) 75% and 16.66%
- 5) 20% and 16.66%

48. Which is not correct related to changes on population diversity of Sri Lanka in past years.

- 1) Decreased population growth rate
- 2) Increased elder dependent ratio in Age structure
- 3) Increased Life expectancy
- 4) Increased younger dependent ratio in Age structure
- 5) Death rate was low and decreased birth rate

49. Which is not used to Prepare knowledge economic Index?

- 1) Innovation and trend to utilizing Technology
- 2) Division of Labor and specialization
- 3) Education and training
- 4) Information technology infrastructural facilities
- 5) Economic incentive and structure of the institution.

50. The following details related to V2025, Sri Lanka a rich country by 2025.

- A – Housing facility for all
- B – Energetically financial resource
- C – Appropriate fixed Price
- D – Knowledge based society
- E – Foreign Exchange rate based on market

Which one of the following set includes main three pillars of a macro economy of V2025?

- 1) A,B,C    2) B,C,D    3) B,C,E    4) A,C,E    5) C,D,E

agaram.lk



# G.C.E. A/L Examination June - 2019

Conducted by Field Work Centre, Thondaimanaru

In Collaboration with

Provincial Department of Education Northern Province

Grade – 13 (2019

21

E

II

Economics - II

Time : Three hours 10 minute

## Part II

### Instructions:

- ❖ Answer five questions. Select minimum of two questions from section “A” and Section ”B”

### Subsection “A”

*(Select minimum of two questions from this Section)*

01.

- i) Define and explain relationship among the resource scarcity, choice and opportunity cost. (4 marks)
- ii) What do you understand from concept of good? List out types of goods and explain them using with examples. (4 marks)
- iii) What is meant by Economic Systems? What are the criteria used to classify the economic systems? (4 marks)
- iv) “Do you agree this statement? “ If an economy efficiently utilizes their all resources in production activities, that Economy has economic efficiency”, explain. (4 marks)
- v)
  - a) What says shape of the convex to origin of production possibility frontier about production factors and opportunity cost? (2 marks)
  - b) Explain the following events using with production possibility frontier.
    - (1) Power cut occurs in many times due to drought in country
    - (2) Capital resources destroy due to the natural disaster (2 marks)

02.

- i) Define the concepts of Income effect and substitution effect. Clarify how both relate with law of demand. (4 marks)
- ii) Differentiate Geffen goods and inferior goods based on income effect and substitution effect. (4 marks)
- iii) Differentiate elastic demand and inelastic demand. (4 marks)
- iv) Price of X good and consumer expenditure for it are given below the following table.

Price(Rs)	Consumer Expenditure (Rs)
50	1000
75	1200

  - a) Calculate the price elasticity of demand at price Rs50 and Rs75. (2 marks)
  - b) Calculate the price elasticity of demand price betweenRs.50 and Rs.75 (1 mark)
  - c) What do you say about elasticity of demand of X good? (1 mark)

v) Demand equation and Supply equation for A good are given below.

$$Q_{dA} = 200 - 5p$$

$$Q_{dB} = -50 + 5p$$

a) Toggle above demand and supply equation. (2 marks)

b) Calculate the consumer surplus and producer surplus at equilibrium price. (2 marks)

03.

i) Supply schedule for Y good is given below

Price (P)	1	3	5	7	9	11
Quantity Supplied (QS)	20	40	60	80	100	120

Calculate the new quantity supplied at each price after tax, The government imposes unit tax as Rs 4 for sale (3 marks)

ii) Express two instances by appropriate graphs when the government imposes a unit tax of a particular goods, equilibrium price would be constant. (4 marks)

iii) Demand equation and supply equation for rice are given below

$$Q_d = 800 - 4p$$

$$Q_s = 100 + 6P$$

Where

P- Price per kilogram

Q – Kilogram

Assume government provides unit subsidy as Rs.20.

a) Calculate price paid by consumer and received by producer after providing subsidy. (2 marks)

b) Calculate producer surplus after providing subsidy. (2 marks)

c) Calculate effects on social welfare due to subsidy (1 mark)

iv) When quantity demanded is not equal to quantity supplied as implement maximum price policy, as Market price doesn't active to distribute goods, so non price distribution sources will be handled, state them. (4 marks)

v) Write effects when handle deficit payment system in control price scheme. (4 marks)

04.

i) Distinguish between short run production function and Long run production function. (4 marks)

ii) What is meant by diminishing marginal returns? Write assumptions for that law. (4 marks)

iii) Define average total cost (ATC) and Average variable cost(AVC).Will Difference between Average total cost and average variable cost increase? or decrease? Expalin (4 marks)

iv) State four market structures. List out factors influencing on differ them (4 marks)

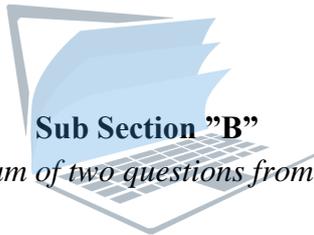
v) Assume perfect competitive firm sales 200units at Rs 70. Functioning in short run. If Its total cost is Rs.16000 and Total fixed Cost is Rs.3000, can this firm continuously would be stay in market. (4 marks)

05.

- i) Give four features used to differentiate basic price and purchaser's price. (4 marks)
- ii) What is meant by institutional unit? How can classify institutional unit? (4 marks)
- iii) Distinguish between gross domestic expenditure and gross national Income. (4 marks)
- iv) The following macroeconomic data are given below for a hypothetical Economy. (Value in billion)  
C=400+0.8yd  
G=200  
I=150  
Net tax=50  
Net imports=80

Calculate the following?

- a) Equilibrium output (2 marks)
- b) Government savings (1 mark)
- c) Domestic savings (2 marks)
- d) If investment increases by 50 billion, how much would be increased in value of equilibrium income when other factors remain constant. (2 Marks)
- e) Tax Multiplier (1 mark)



**Sub Section "B"**

*(Select minimum of two questions from this Section)*

06.

- i) Explain functions of exchange of money. State importance of that function. (4 marks)
- ii) Define reserve money, money supply and money multiplier. Explain relationship among them. (4 marks)
- iii) Economists consider cost push inflation is formed due to strike of pressure group. Clarify that how function of pressure groups would be creating cost push inflation. (4 marks)
- iv) What is meant by financial system? What are the four sub sections of financial structure in Sri Lanka? (4 marks)
- v)
  - a) State details separately relating to variables such as intermediate target and Functional target related to implementing monetary policy by the central bank. (2 marks)
  - b) Briefly explain money creation of commercial bank. (2 marks)

07.

- i) List out the actions to be performed by the government in new market economic systems. (4 marks)
- ii) When external effects occur in production, Market doesn't form maximum output level. Explain with appropriate graphs. (4 marks)
- iii) Distinguish between excess burdens of taxation and tax Compliance. (4 marks)
- iv) Briefly explain government's current expenditure. State effects of increasing current expenditure. (4 marks)

- v)
- a) Distinguish between appropriation bill and vote on account? (2 marks)
- b) What is meant by crowding effect? (2 marks)

08.

- i) The following table shows the amount of output for an input of Countries “A” and “B” producing goods ”X” and” Y”.

Goods/Countries	Output Level	
	X good	Ygood
Country A	50	40
Country B	25	10

- a) In Which good Each countries should get in specialization (2 marks)
- b) If international trade occur among the countries based on comparative advantage, how should be occur in exchange ratio. (2 marks)
- ii) Distinguish between Nominal rate of protection and effective rate of protection. (4 marks)
- iii) What is meant by Income terms of trade? State economic effects of increasing this rate. (4 marks)
- iv) “Trade balance of Balance of Payment of Sri Lanka in 2017 was 9619 million dollars and current account balance was 2309 million dollars”. How would you explain this difference? (4 marks)
- v) What is meant by depreciation of exchange rate? State three economic effects of it. (4 marks)

09.

- i) What is meant by Economic growth rate? State importance of them. (5 marks)
- ii) Briefly explain existing weakness in Sri Lanka to achieve higher economic growth rate (8%-10%). (5 marks)
- iii) Distinguish between Human poverty Index, Poverty gap index. (5 marks)
- iv) What is meant by unemployment? What are the factors influencing on forming unemployment in Sri Lanka? (5 marks)

10.

- i) What are the challenges facing Sri Lanka towards going to knowledge economy. (5 marks)
- ii) Write first five Sustainable development goals including 17 SDGs implemented by UNO in 2016. (5 marks)
- iii) State important matters of related to V2025, Vision is to make Sri Lanka a rich country by 2025? (5 marks)
- iv) Write benefits of Public Private Partnership (PPP) as a stagey for infrastructure development in Sri Lanka ? (5 marks)