



Provincial Department of Education
Northern Province
General Certificate of Education (Adv.Level) Examination
Term Examination 2019 - March

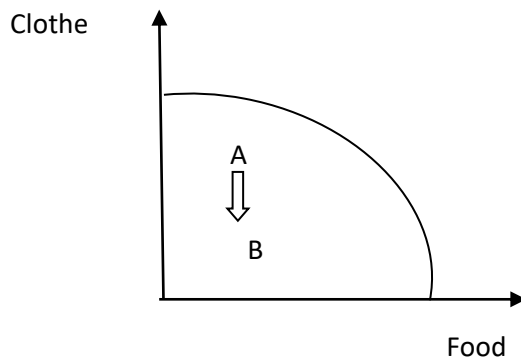


Grade 13 (2019)

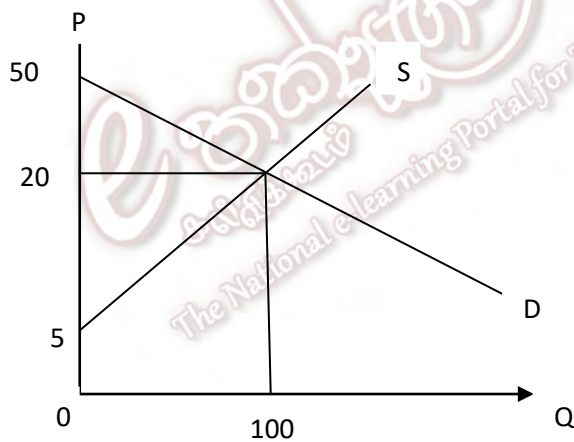
Time: 2 Hours

- ❖ Answer all questions on this question paper.
- ❖ Write your index Number in the space provided in the answer sheet
- ❖ Select the correct answer for questions No 1 – 50 (Answer sheet for MCQ are given)

1. What is the main reason for opportunity cost in an economy?
 - i. Scarcity of resources and unlimited wants
 - ii. Scarcity of resources and choice
 - iii. Unlimited human wants and choice
 - iv. Limited needs and limited resources
 - v. Alternative uses of resources and unlimited wants
2. Which would not be considered as investment in Economics
 - i. Constructing a airport for domestic use
 - ii. Constructing new railway track
 - iii. Issuing free book for school children
 - iv. Payments for constructing buildings at schools
 - v. Expenditure for constructing houses for homeless
3. The problem what to produce in an command economy would be solved
 - i. Free decision of entrepreneurs
 - ii. Decision of Government and consumers
 - iii. Decision of government and market forces
 - iv. Only by government
 - v. Only by the consumers
4. The production possibility frontier is given below. What is shown on this PPC
 - i. Allocate the resources from Textile to Food
 - ii. Allocate the resources from Food to Textile
 - iii. Increasing unemployment in Textile production
 - iv. Decreasing unemployment in Food production
 - v. Increasing unemployment in Food production



5. It is the idea which resources are to be used in which proportion. It is expressed by
- What to produce and how much to produce
 - By allocating resources efficiently
 - Choosing production techniques
 - Problem of distribution of income
 - Whom to produce
6. The demand equation of $Q_d=800-10p$ changes as $Q_d=600-10p$. Find the reason for this
- Decrease the price of concerned goods
 - Increase on income effect
 - Increase on substitution effect
 - Price increased on substituted goods
 - Price increased on supplementary goods
7. The reason for the leftward shifting of demand curve for a Griffin goods
- Decrease the price of concerned good
 - Decrease the price of supplementary good
 - Price increased on substituted goods
 - Expectation that the price for concerned good will increase
 - Increase on income
8. The following diagram is given to you. Choose the correct proportion.



	Price the consumer willing to pay	The price consumer actually pay
1	10500	6000
2	6000	10500
3	6000	6000
4	6000	3750
5	10500	3750

9. $Q_d=400-7p$, $Q_s=-100+3p$ in these equations, What would be the price and consumers expenditure when the excess demand is zero?

	Price when the excess demand is zero	Consumer Expenditure
1	30	1500
2	30	2000
3	50	2400
4	50	2500
5	65	3500

10. When the unitary elastic demand

	Marginal Revenue	Total Revenue
1	Zero	least
2	Zero	high
3	positive	low
4	Positive	least
5	Negative	low

11. Under the following situation, when the equilibrium price increases as demand increases

- i. Increase demand and decrease the supply
- ii. Increase the demand and supply unchanged
- iii. The quantity increased in demand is greater than the quantity increased in supply
- iv. The quantity increased in supply is greater than the quantity increased in demand
- v. Equally increase the demand and supply

12. After the government enforces unit tax in a competitive market the changes occur in consumer surplus and producer surplus.

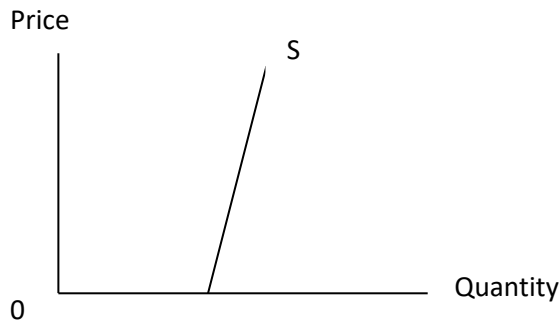
	Consumer surplus	Producer surplus
1	Increase	Increase
2	Increase	decrease
3	unchanged	decrease
4	decrease	increase
5	decrease	decrease

13. The consumer expenditure decreased when the price of a good increased. It is indicated by followings.

The price elasticity of this good is elastic.

- i. More than one
- ii. Perfectly elastic demand
- iii. Less than one
- iv. Unitary elastic
- v. Not above all

14. The market supply curve of a competitive market is given as below



- i. The price elasticity of supply won't change in all quantity supply
- ii. The price elasticity of supply will be elastic in all quantity supply
- iii. The price elasticity of supply decreases when the quantity supply increases
- iv. The price elasticity of supply increases but the price elasticity is inelastic when the quantity supply increases
- v. The price elasticity of supply increases and becomes elastic when the quantity supply increases.

15. The cross elasticity of demand of firm A,B,C,D,E is given below

Firms	A	B	C	D	E
Cross Elasticity	+2	+2.5	+0.4	+1.0	+0.6

According to the above table which firm has least market domination?

1. A
2. B
3. C
4. D
5. E

16. When the Total production increasing rate slowly in short run production function.

- i. Increasing the marginal product
- ii. Increasing the marginal cost
- iii. Average product become negative
- iv. Marginal product become negative
- v. Marginal product become zero

17. Information about Production and cost are given below

Production (Unit)	0	1	2	3	4	5
Total cost	200	360	380	390	410	450

Average production and average fixed cost for 4 unit of production respectively

1. 50 52.5
2. 50 62.5
3. 40 52.5
4. 40 62.22
5. 52.5 40

18. If the AFC is diminishing in the short run

- i. The gap between AFC and AVC will increase
- ii. The gap between AVC and MC will increase
- iii. The gap between AC and AVC will gradually decrease
- iv. The gap between AFV and AC will gradually decrease
- v. The gap between AFC and MC will gradually decrease

19. In which market the firms are interdependent.

- i. Perfect competition
- ii. Monopoly
- iii. Monopolistic competitive
- iv. Oligopoly

20. How would be a minimum price level of a firm

- i. The lowest point of a MC
- ii. The point where MC intersect the AVC
- iii. The point where MC intersect the TC
- iv. The lowest cost point of ATC
- v. The cost level where the MC intersect the MR

21. The reason for multiple counting error in National accounting

- i. Use the value addition approach
- ii. Consider Gross Domestic production
- iii. Include the taxes
- iv. Consider the final output approach
- v. Consider the factor prices

22. Which would not be included in the production boundary

- i. The good and services sold at market
- ii. The proportion reserved by producer from the production
- iii. House hold work and other work done by the paid labours
- iv. Transactions with Financial instruments and bond
- v. Production of house hold items such as clothes and cap

23. What are the adjustments have to be done to derive Total domestic Expenditure when Gross National product is given

	Export	Import	Net factor income
1	Add	Add	Add
2	Subtract	Subtract	Subtract
3	Add	Subtract	Subtract
4	Subtract	Add	Subtract
5	Add	Subtract	Add

24. The false statement about utilization of the resources in an economy

- i. It is equal to resources available in a economy
- ii. Sum of GDP and import
- iii. Sum of total consumption, Total investment and Exports
- iv. Subtract total consumption from GDP
- v. Above all

25. The investment multiplier in an economy is 4. How would the Consumption expenditure change if Government expenditure increased by 100/

- i. 300
- ii. 400
- iii. 100
- iv. 200
- v. 500

26. The following information is given to you. $S=300$, $T=100$, $G=200$, $X=150$, $M=150$. How much would be the I ?
- i. 200 ii. 150 iii. 300 iv. 350 v. 400
27. The consumption function of a simple economy is $C=600+0.8y$. in this economy equilibrium income is 5000. What is the amount of Investment?
- i. 200 ii. 300 iii. 400 iv. 500 v. 600
28. Money facilitates to get credit and settle the credit. What are those two functions of money.
- i. Act as a store of wealth
 ii. Act as a standard of deferred payment
 iii. Act as a unit of account
 iv. Measure of value
 v. Act as a medium of exchange
29. The impact of inflation in an economy by supply side factors
- i. Increase in money supply
 ii. Increase the expenditure on capital formation
 iii. Increase the expenditure for local factors
 iv. Increase in government expenditure
 v. Increase in net export
30. What is meant by Money
- i. Purchasable goods and services using particular amount of money
 ii. The store of wealth in money
 iii. The gold money reserved by Central bank
 iv. Production cost for coins and notes
 v. Opportunity cost for storing wealth in Money
31. The GDP in market price is 6000. Money supply MR 2000 , what is the velocity of money?
- i. 2 ii. 3 iii. 4 iv. 5 v. 6
32. The demand deposited in a commercial bank is 20000 and the reserve rate 25%. What is the maximum level of money supply due to Commercial bank lending money operating as a banking system.
- i. 20000 ii. 25000 iii. 60000 iv. 65000 v. 100000
33. The important goals of Central Bank of Sri Lanka
- A. Controlling of exchange rate policy
 B. Stability on economy and price level
 C. Management of official foreign reserves
 D. Monetary targeting
 E. stability over any kind of internal or external shock
- i. A and B ii. A, B and C iii. B and C iv. A and D v. B and D

34. Money creation of a commercial bank depends on
- By selling its investment
 - By increasing its reserves
 - Lending credits from excess reserves
 - By printing much cheques
 - Transferring reserves into bonds
35. Find the primary reserves of a commercial bank
- Treasury bills, investment and discounted bills
 - Investment, cash with other commercial bank and discounted bills
 - Cash with the central bank, cash in hand and treasury bills
 - Cash in hand, Cash with the central bank and cash in hand and cash with offshore banks
 - Cash with the central bank, treasury bills and discounted bills
36. The correct stamen about the cause of market failure
- Consumer sovereignty and ability to enter the market and exit from the market
 - Effective and equity in resources allocation
 - Scarcity of resources for market output
 - Excess or insufficient recourses allocation
 - Existing competition
37. What is the similarities between Economics bad and Demerit good
- Both are useful
 - Both are not worth to consume
 - Price has to be paid for both
 - Both have externalities
 - Both are needed to public
38. An example for pure public good
- | | | |
|-------------------------------|---------------------|-----------------------|
| i. Health service | ii. National Museum | iii. National Defence |
| iv. Railway transport service | v. Education | |
39. Which would be the correct answer regarding the tax effect
- Revenue from taxes
 - The impact of the tax in the economy
 - It denotes whom the tax imposed
 - It indicates about the tax burden
 - It indicate how the tax revenue is spent
40. Which is one of the Expansionary budgetary policies
- Decrease the interest rate and increases the tax
 - Decrease the government expenditure and increase the taxes
 - Decrease the government expenditure and taxes
 - Increase the government expenditure and decrease the interest rate
 - Increase the government expenditure decrease the taxes

41. Important for social protection network

- i. Government expenditure on goods and services
- ii. Government subsidies towards house hold
- iii. Government subsidies for government institutions
- iv. interest payments for public debt
- v. Government expenditure towards defence

42. Which one would be decreased by crowding out effect among the followings

- i. Government expenditure
- ii. Private investment
- iii. Interest rate
- v. Export Demand
- v. Tax Revenue

43. Identify the inflationary sources used for deficit financing in government budget.

- i. Barrowing money from National Savings bank
- ii. Barrowing money from employee provident fund
- iii. borrow money through financial instruments of treasury bills and treasury bonds
- iv. The income from privatisation process of a economy
- v. Obtaining foreign aids

44. What is it meant by Comparative advantage theory

- i. The capable of a country producing a particular good greater than other countries
- ii. The capable to produce thing with less marginal cost than other country
- iii. Capable to Produce a good with less Long run average cost greater than other countries
- iv. Capable to produce goods with low opportunity cost greater than other countries
- v. Capable to produce thing using less resources greater than other countries

45. The word dumping denotes

- i. Exporting goods which are low in quality from developing countries to Develop countries.
- ii. Gaining comparative advantage in solid wastage.
- iii. To export thing at a price which is less than average cost
- iv. Destroy the excess supply
- v. To export low quality good by importing standard goods.

46. What are the components available under the current account of balance of payment

- i. Income from export
- ii. Profit and profit from shares
- iii. Interest payment on foreign debts
- iv. From tourism

47. Which is not included under the current account of balance of payment .

- i. Reserve of foreign exchanges
- ii. Subsidies
- iii. Exporting serviced
- iv. Income from investment
- v. Investment expenditure from income

48. At a floating exchange rate

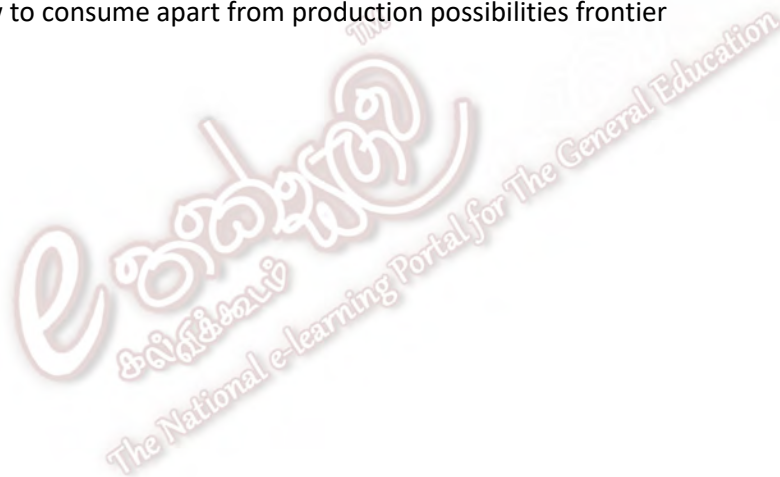
- i. Government interfere on foreign exchange
- ii. Exchange rate should be accessed according to the supply and demand of the equilibrium.
- iii. The balance of payment always should be surplus
- iv. The balance of payment always should equal
- v. Increase in the exchange rate of foreign countries

49. Which is the possible way of Current depression of foreign exchange

- i. Increase the foreign debts
- ii. Receiving more grants from other countries for Tsunami
- iii. Increase the import tax
- iv. Turn to fixed exchange rate
- v. Increase the inflation than other countries

50. What does it mean by international trade

- i. Allow to produce apart from production possibilities
- ii. Allow to decrease the average cost
- iii. Allow to outward shift of the production possibilities frontier
- iv. Allow to produce things while maintaining fixed consumption
- v. Allow to consume apart from production possibilities frontier





**Provincial Department of Education
Northern Province
General Certificate of Education (Adv.Level) Examination
Term Examination 2019 - March
Economics- Part 11**



Grade 13 (2019)

Time: 3 Hours

Instruction

Answer five questions only, selecting minimum of two questions from sub-section 'A' and two questions from sub-section 'B'.

Sub section 'A'

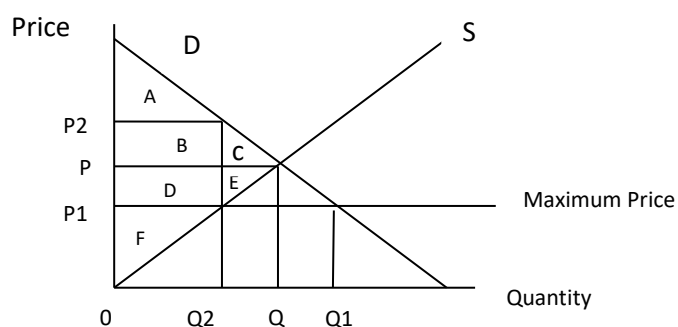
Select minimum of two questions from this section.

1. I) "Scarcity and choice are important phenomenon in economics". What do you mean By Scarcity? And how does it create choice? (4Marks)
- ii) Identify the different Economic system according to the factor ownership? (4Marks)
- iii) What are the criteria being used to classify different economic system? Name them? (4Marks)
- iv) Name the Factors which determine the Production Possibility Frontier of an economy? (4Marks)
- v) Using production possibility frontier, explain separately the following.
 - a. Economic expansion
 - b. Allocate the factors from consumer product to Capital production. (Each 2 Marks)
2. I) Give the reasons for shift supply curve right? (4Marks)
- ii) What are the determinants of a good with inelasticity of demand? (4Marks)
- iii) There are two consumers named 'A' and 'B' who consume good, 'X'. When their income increases 'A' increased his/her quantities demand of good 'X', whereas 'B' decreased the quantities demand of goods 'X'. Explain your answer? (4Marks)
- iv) The following table shows about a good in a competitive market.

Price	4	20
Quantity Demand	100	20
Quantity Supply	0	80

- a. Give the Demand & supply equations according to the above table. (2Marks)
- b. From the equation find the equilibrium price and demand. (2Marks)
- c. What is the Economic surplus at the equilibrium? (4Marks)
3. I) The government impose the unit tax when the price elasticity of demand and price elasticity of supply are inelastic. Illustrate this with suitable graph? (4Marks)

- ii) Name the effects due to implementing of maximum price ceiling. (4Marks)
- iii) Give answers to the question given below using following diagram.



- a. Economic surplus before the maximum price ceiling. (2Marks)
- b. Economic surplus after the maximum price ceiling. (2Marks)
- c. Loss of economic surplus. (2Marks)
- iv) The demand and supply equation are $Q_d=800-20p$ and $Q_s= -200+20p$, for a particular good. Government introduces Rs 30 as certified price and planning to purchase the excess supply.
- a. What is the excess supply due to the control price?
- b. Government expenditure to purchase the excess supply?
- c. Consumer surplus after government purchased the excess supply?

(Each 2 Marks)

4. i) Define the direct cost and Indirect cost , explain them with examples. (4Marks)
- ii) The output of a firm is 1000 units. The unit price is Rs40. The owner of this firm became an entrepreneur by giving up Drawing Rs 2000 salary from his/her permanent job. Rs 1000 depreciation occurs for fixed assets, material cost Rs4000, salary Rs 2000, fuel charges Rs1000 and the interest paid for loan is Rs800.
- a. Measure the direct and indirect cost of the above firm?
- b. Measure the economic profit? (4Marks)
- iii) Name the costs occur under the fixed cost? (2Marks)
- iv) Why does the vertical distance between ATC curve and AFC curve diminish while increase the production? Explain? (4Marks)
- v) What are the factors influences in economics of scale? (2Marks)
- vi) Give the restrictions for entering a firm newly into the monopoly market? (2Marks)
- vii) What are the characteristics of oligopoly market structure? (2Marks)
5. i) Give the Macroeconomics policies? (2Marks)
- ii) Explain the items that should be included within production boundaries? (2Marks)
- iii) Answer the questions based on the information given below.

Item	Value (Rs. Milion)
Household consumption	500
Non-profit institutions serving for households	150
Government consumption	50
Cross domestic capital formation	500
Cross domestic fixed capital formation	250
Change in value	100
Export	400
Import	250

- a. Cross domestic cost? (6Marks)
- b. Cross domestic product? (2Marks)
- c. Changes in inventory? (2Marks)
- iv) Give the components which cause for varying of macroeconomics equilibrium. (6Marks)
- v) Give the different types of multiply? (2Marks)
- vi) Consider the following macroeconomic data for an economy. (All data are given in Million Rupees)
 $C = 800 + 0.8Y_d$ $I = 400$ $G = 300$ $T = 200$
 - a. What is the equilibrium level of National Income?
 - b. If investments must be increased by 400 whether the Tax should be increased or decreased while the equilibrium level of national income is constant?
 - c. Explains interrelationships among economic actors of an economy using a circular flow of a simple economy? (6Marks)

Sub section 'B'

Select minimum of two questions from this section.

- 6. i. Name the main functions of money? (4Marks)
- ii. Give the elements of consolidated broad money supply? (2Marks)
- iii. What is money multiplier? (2Marks)
- iv. The money supply in an economy is MR 2500. Within this MR500 is Demand deposits. The rest **would be** The public currency (notes and coins).The needed reserve rate is 20% and there is no excess reserves in this economy.
 - a. Measure the base money? (2Marks)
 - b. Find the money multiplier? (2Marks)
- iv. Distinguish the demand pull inflation and cost push inflation? Give two reasons for each of the above? (4Marks)
- v. Money supply is a stock of money. Explain that. Give the components of money supply.(4Marks)
- 7. i. Assuming that the required reserve ratio remains unchanged, give the reasons for Providing lesser loans than it potential level of loan? (4Marks)
- ii. The total money supply in an Economy is MR 7500. The total Demand Deposit in the banking system is MR5000. The balance sheet of the banking sector is as following.

Liabilities		Assets	
Deposits	5000	Reserves	500
		Loans	4500
Total	5000	Total	5000

- a. Calculate the public currency? (2Marks)
- b. If the Bank excess Reserve of MR 250 given as loan what would be the maximum loan amount given by the bank system? (4Marks)
- c. Give the balance sheet after the loan given? (4Marks)
- iii) List down the Quantitative monetary policy instruments used by Central Bank to implement monetary policy? (4Marks)
- iv) Define what is monetary policy? (2Marks)

8. i. Give reasons for Market failure? (4Marks)
 ii. Explain what are positive externalities? Give two examples? (4Marks)
 iii. For a fair system of taxation two main principles are stated within economic theory. Explain them? (4Marks)
 iv. Classify the Current expenditure and Capital expenditure in a budget? (4Marks)
 v. What are the effects of increasing deficit of budget continuously? (4Marks)
9. i. States the sources (reasons) for the comparative advantage? (4Marks)
 ii. Give the arguments for and against the protectionism? (4Marks)
 iii. Computers and Tea that can be produced from one unit of labour by country X and Y.

Country	computers	Tea
X	20	200
Y	120	240

- a. Which country has the absolute advantage in both products? (2Marks)
 b. Which country has the comparative advantage from these both goods? (4Marks)
 c. Under the international trade which country will export to other countries? (2Marks)
 d. Consider there are 100 resources given to both countries and they produce two goods equally using the available recourses.
 1. Measure the output produced before entering into international trade?
 2. Find the production and consumption of both countries after entering into trade? (4Marks)
10. i. Define the term of trade? Why does the country calculate the terms of trade? (4Marks)
 ii. Distinguish the term Normal effective exchange rate and real effective exchange rate? (4Marks)
 iii. What are the items included in balance payments schedule? (4Marks)
 iv. How does the effect of devaluation of exchange rate help to solve the Problem on balance of payment? (4Marks)
 v. What is meant by external stability of a currency? (4Marks)