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Third Term Test - Grade 13 - 2023

Index No.:

Economics - I

02 hours

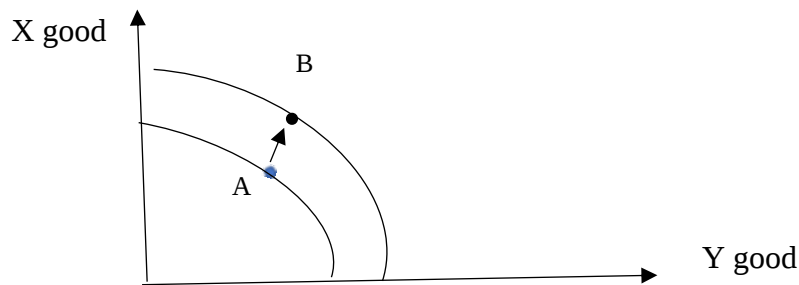
(01) Select the normative statement from the followings.

- (1) The external value of Rupee should be allowed to increase to minimize the economic crisis.
- (2) The market price of computer is Rs.100 000.
- (3) There is a disinflationary condition in Sri Lanka at present.
- (4) The trade gap between Sri Lanka and India getting wider.
- (5) The poors are aimed in Aswasuma program.

(02) The consumption and production can be done according to the self- interest in,

- (1) Traditional economic system
- (2) Command economic system
- (3) Mixed economic system
- (4) Market economic system
- (5) Social market economic system

(03) The production possibility curve of a certain economy is as follows.



The reason for shifting the point A towards B of this economy is,

- (1) Increase in aggregate demand of the economy
- (2) Increase in economic growth rate of the economy
- (3) Increase in real production due to the conservation of natural resources.
- (4) Economy faces for the economic growth
- (5) Utilizing resources without full employment and full production

(04) The opportunity cost of selecting an advance level subject stream by a student who passed O/L is,

- (1) The expenditure made on extra classes
- (2) The time spent for doing Advance Level.
- (3) The expenditure made as facility fee.
- (4) The deprived salary with the expected occupation.
- (5) The transport cost made during advance level period.



- (05) Which of the following statements would be accurate?
- (1) A point on the demand curve depicts the demand.
 - (2) Moving in between points along the demand curve shows the change in demand.
 - (3) Shifting the demand curve rightward shows the expansion of demand.
 - (4) Shifting the demand curve leftward shows the expansion in demand.
 - (5) Moving in between points along the demand curve shows the change in quantity demanded.
- (06) Which of the following causes to shift the supply curve leftward.?
- (1) Decrease in production cost.
 - (2) Price increase of a good
 - (3) Increase in production cost.
 - (4) Decrease in price of the good
 - (5) Decrease in demand
- (07) Which of the following would be a situation to increase the price of the good without shifting its demand curve?
- (1) Increase in the labour productivity of the good.
 - (2) Increase in consumption level of the good.
 - (3) Increase in labour salary who is involved in this production.
 - (4) Increase in real income of consumer.
 - (5) A cut-off the production tax levied on the production
- (08) Along the downward demand curve, when the price of the good decreases at the area above the midpoint of the demand curve,

<u>Elasticity coefficient</u>	<u>Business revenue</u>
(1) Unitary	Increases
(2) Less than 1	Reduces
(3) Unitary	Maximized
(4) Greater than 1	Increases
(5) Zero	Reduces

- (09) The equilibrium price and quantity of a certain market are Rs 20/- and 400 units respectively. Which of the followings depicts the change in price elasticity of demand if the slope of the demand curve is changed from - 0.1 to - 0.2?
- (1) From - 0.5 to - 1
 - (2) From - 0.5 to - 0.25
 - (3) From - 2 to - 4
 - (4) From - 4 to - 2
 - (5) From -0.05 to - 0.01
- (10) Which of the following is not a feature of the goods and services market?
- (1) Factor services are supplied by house-holds.
 - (2) Consumer goods and services are exchanged
 - (3) Goods and services are demanded by households.
 - (4) Goods and services are supplied by firms.
 - (5) There is a direct demand for goods and services.

- (11) The demand and supply equations of a certain market given as follows.

$$QD = 100 - 5p$$

$$Qs = -20 + 5p$$

According to given demand and supply equations, what would be the excess demand equation, market equilibrium price and demand elasticity at the equilibrium?



	Excess demand equation	Market equilibrium price	Demand elasticity at equilibrium
1	$ED = -120 + 10P$	12	-13.5
2	$ED = 120 - 10P$	12	-1.5
3	$ED = 100 + 10P$	6	13.5
4	$ED = 120 - 10P$	12	1.5
5	$ED = -120 + 10P$	0	1.5

(12) Demand and supply equations of a certain good in a market given as below.

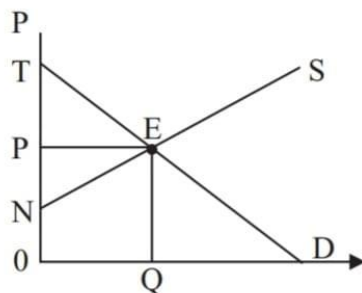
$$QD = 425 - 25p$$

$$QS = 200 + 50P$$

If government provides Rs 1.50 of unit tax or unit subsidy on its sale, which of the following would be accurate related to the equilibrium price after tax or subsidy respectively,

- (1) Rs. 4.00 or Rs.3.00 (3) Rs. 4.00 or Rs.2.00 (5) Rs. 3.00 or Rs.3.00
(2) Rs. 4.00 or Rs.4.00 (4) Rs. 12.00 or Rs 4.00

(13) The demand supply curves of Banana market are given as below.



Calculate the total revenue, total variable cost and production surplus of this market.

	Total revenue	Total variable cost	Production surplus
1	NPEQ	NPEQ	NPE
2	ONPE	OPEQ	PTE
3	OPEQ	ONEQ	ONEQ
4	ONEQ	NPE	OPEQ
5	OPEQ	ONEQ	NPE

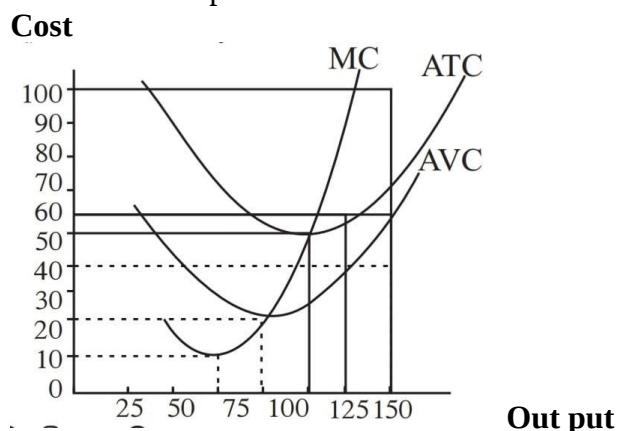
(14) The market demand curve of a certain good is $QD = 800 - 10p$ and the supply equation is

$QS = -100 + 10p$. If Rs.60 of certified price is implemented on this good and the deficiency payment system is practiced, what would be the government expenditure on the deficiency payment and increase in business revenue?

	Government expenditure on deficiency payment system	Increase in business Revenue.
1	Rs.30000	Rs.30000
2	Rs.10500	Rs. 14250
3	Rs.15000	Rs. 7500
4	Rs.15000	Rs. 14250
5	Rs.4500	Rs.2250



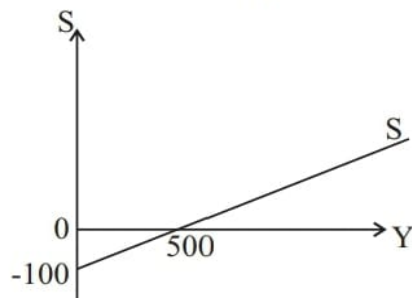
- (15) The market that small number of large firms exists can be identified as an Oligopoly. Which of the following would be irrelevant regarding this market structure?
- (1) The firm is a price maker.
 - (2) Differentiated or homogeneous goods are available.
 - (3) The advertising is practiced
 - (4) Impossibility of obtaining market information and secretness of information.
 - (5) Inability of seeing the interdependency among firms.
- (16) In a firm of a perfectly competitive market, the profit maximization output level in short run is 500 units and the market price of a unit is Rs. 70/- . The variable cost of this output is Rs 50/- and the fixed cost of a unit is Rs 40/- . In such a condition, when other factors remain constant, the short run behavior of the profit maximizing firm is,
- (1) Shut down the firm thinking of a continuous loss.
 - (2) Continue the production in short run with an expectation of minimizing losses.
 - (3) Increase output to decrease the Average fixed cost with an expectation of maximizing profit by minimizing the production cost.
 - (4) Shutdown the firm to minimize the loss created due to increase in average total cost than the market price.
 - (5) Fixing the price from Rs 70/- to more than Rs.90/-
- (17) When diminishing marginal returns created in an input
- (1) The total variable cost increases in increasing rate
 - (2) The average variable cost gradually reduces.
 - (3) The total variable cost increases in decreasing rate
 - (4) The average product gradually increases
 - (5) The average fixed cost increases
- (18) According to given graph, what would be the accurate answer which implies the total fixed cost and economic profit in short run production firm that 150 units of equilibrium output is maintained?



	Total fixed cost	Economic profit
(1)	15000	2000
(2)	6000	3000
(3)	3000	6000
(4)	4500	6250
(5)	6250	3000



- (19) In a contractionary phase of a business cycle, it is possible to
- (1) Decrease the inflation and increase the employment level
 - (2) Decrease the real Gross Domestic Product and decrease the inflation
 - (3) Increase in real Gross Domestic Product and increase in employment level
 - (4) Increasing real Gross Domestic Product and decrease in unemployment
 - (5) Decrease in real Gross Domestic Product and increase in inflation
- (20) Which of the followings could be adjusted in deriving the Gross Value Addition from Gross Value Output?
- (1) Intermediate consumption should be decreased.
 - (2) Net indirect tax should be added
 - (3) Fixed capital consumption should be reduced
 - (4) Net primary income should be added
 - (5) Primary input should be added
- (21) Which of the following would be accurate in deriving the disposable household income?
- (1) Gross national income - indirect tax + undivided corporate profit - transfers
 - (2) Gross national income + transfers - Income Tax - Exports
 - (3) Gross National income - transfer + indirect tax + consumption of fixed capital
 - (4) Gross national income - income not received by household - income tax + transfers
 - (5) Gross national income - indirect tax + transfers - income not paid for household
- (22) Certain information of national accounts in a certain economy given as follows. (Rupee in billion)
- | | |
|------------------------------|-------|
| Gross Domestic Product | 12300 |
| Consumption expenditure | 8500 |
| Net foreign secondary income | 900 |
| Net foreign primary income | -300 |
- The domestic savings of this economy is
- (1) Rs. 3200 billion
 - (2) Rs. 3800 billion
 - (3) Rs. 11400 billion
 - (4) Rs. 12000 billion
 - (5) Rs. 13200 billion
- (23) The aggregate savings function of a simple economy given in a diagram as below.



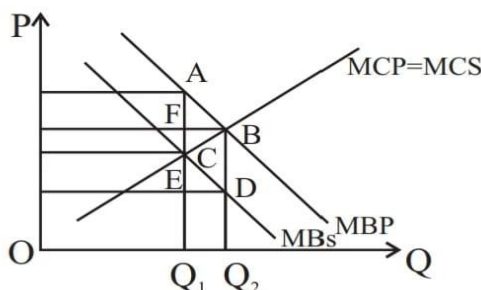
The savings and consumption functions of this economy are,

- (1) $S = 500 + 0.2Y_d$ and $C = 100 + 0.8Y_d$
- (2) $S = -100 + 0.4 Y_d$ and $C = 100 + 0.6 y_d$
- (3) $S = 100 + 0.8 Y_d$ and $C = 500 + 0.2y_d$
- (4) $S = -100 + 0.2y_d$ and $C = 100 + 0.8y_d$
- (5) $S = -500 + 0.2y_d$ and $C = 500 + 0.8y_d$



- 

- (31) Which of the following would be a reason to supply public goods by the government sector in a free market economy?
- (1) The responsibility of supplying the social welfare is with the government
 - (2) The inability of charging the price which is considered as a co-factor of earning profits.
 - (3) The ability of supplying them at relatively low cost but high efficiency
 - (4) The absence of Advanced technology with the private sector.
 - (5) Due to the creatively low price as price slice below the marginal cost
- (32) The following curve illustrates a situation of market failure due to the negative externality in consumption.



Which of the following area represents the deadweight loss of this economy created due to inefficient resource allocation?

- (1) AFB Triangle
 - (2) CED Triangle
 - (3) BCD Triangle
 - (4) ABC Triangle
 - (5) BFC Triangle
- (33) Except one, all functions given below discuss the role of the government in the present market economy. Select the inappropriate function which implies the role of the government in the market economy.
- (1) Stabilize the required legal background to make the market mechanism efficient.
 - (2) Privatizing the loss-making public entrepreneurs.
 - (3) Making actions to remove the inefficiencies in resource allocation in market mechanism.
 - (4) Stabilizing an equal resource distribution
 - (5) Increasing the economic growth and stabilizing macro-economic stability.
- (34) Which of the following would not be resulted due to the direct tax imposed by the government?
- (1) Decreasing the personal consumption
 - (2) Making the tax evasion easy.
 - (3) Increasing price level
 - (4) Decreasing the purchasing power
 - (5) Decreasing the household disposable income.
- (35) Which of the following would accurately show the information of government budget deficit, savings rate and investment rate in 2022?

	Budget deficit	Savings rate	Investment rate
(1)	11.7	33.0	36.7
(2)	9.0	34.5	38.1
(3)	10.6	35.1	33.2
(4)	10.2	33.1	34.4
(5)	5.0	37.3	31.5

- (36) What do you mean by, “Sri Lanka is having a comparative advantage of producing tea than India?”
- (1) Sri Lanka can produce more tea than India
 - (2) Tea price is high in Sri Lanka than India
 - (3) In Sri Lanka, tea can be produced at a lower resource amount than India.
 - (4) Sri Lanka can produce tea at lower opportunity cost than India
 - (5) Sri Lanka can produce tea at a lower resource cost than India.

- (37) Which of the following would show, the accurate sectoral contribution of agriculture and industrial sectors in 2022?

	Industrial goods %	Agriculture goods %
(1)	75.6	22.8
(2)	77.8	20.6
(3)	78.9	20.0
(4)	79.8	19.6
(5)	80.9	18.8

- (38) Certain information about the terms of trade during the period of 2016 to 2020 given as below.

Year	Terms of trade
2016	100
2018	94
2020	85

According to this,

- (1) Export price has increased relative to import price
 - (2) Import price has increased relative to export price
 - (3) Export price has increased while import price remains constant
 - (4) The surplus trade balance is increased
 - (5) The export capacity decreased at a higher rate rather than increase in import capacity.
- (39) Which of the followings would be included into the Financial Account in Balance of Trade?
- (1) The difference between receipts and payments of investment income.
 - (2) Net foreign individual remittances.
 - (3) Changes of net foreign investment asset.
 - (4) The difference between invisible imports and exports
 - (5) Net profit earned from foreign investments



- (40) Certain information of the balance of payment of a hypothetical economy given as below.

<u>Item</u>	<u>Rs. in billion</u>
Trade account (net)	-200
Net export	-170
Net primary income	-80
Secondary income balance	160
Capital account (net)	50
Errors and omissions	5

According to given information, which of the following statements about the balance of payment of this economy accurate.

- (1) Rs. 30 billion Deficit in service account.
 - (2) Rs. 40 billion Deficit in current account
 - (3) Rs.35 billion surplus in financial account.
 - (4) Rs.40 billion deficit in financial account.
 - (5) Rs.35 billion deficit in current & capital account. (net)
- (41) Which of the following situations the deficit of current account in BOP can be reduced due to the depreciation of exchange rate?

	Export Price Elasticity of demand	Export Price Elasticity of demand	Export Price Elasticity of supply
(1)	1.0	0.9	1.8
(2)	0.2	0.7	1.1
(3)	0.1	0.5	1.0
(4)	0.6	0.3	0.3
(5)	0.8	0.1	0.1

- (42) Which of the following situations would be the reason if the dollar value is changed from Rs. 320 to Rs.290 during the period of December 2021 to September 2022?

- (1) Increase in real Gross domestic product
- (2) Increase in demand for import goods
- (3) Increase in domestic inflation rate
- (4) Increase in foreign demand for Exports
- (5) Increase in the amount of domestic currency supplied to purchase foreign exchange.

- (43) According to the International ranking system in 2021, the value of Human Development Index and the rank of Sri Lanka are respectively,

- (1) 0.78 and 71
- (2) 0.79 and 70
- (3) 0.79 and 71
- (4) 0.78 and 73
- (5) 0.76 and 72

- (44) The Quintile Dispersion ratio measures

- (1) The life expectancy at birth
- (2) knowledge
- (3) unequal income distribution
- (4) population growth rate
- (5) per capita income

(45) What would be calculated using the following equation?

$$\frac{\text{Population below the poverty line}}{\text{Total population}} \times 100$$

- (1) Poverty Headcount index
(2) Consumption poverty index
(3) Poverty Gap Index
(4) Multi-dimensional poverty index
(5) Accelerating poverty Index

(46) What would be the District and Province that the highest poverty is recorded in Sri Lanka in recent past?

- (1) Kilinochchi and North
(2) Jaffna and North
(3) Mulathive and Uwa
(4) Mulathive and North Central
(5) Nuwara-Elia and Uwa

(47) Certain information about the labour market of a hypothetical economy given below.

- ✓ Total population 30 million
- ✓ Child population 5 million
- ✓ Economically inactive population 5 million
- ✓ Employment population 17 million

According to given information, what would be the Labour force Participation Rate and Employment Rate respectively?

- (1) 80% and 85%
(2) 80% and 70%
(3) 68% and 70%
(4) 65% and 80%
(5) 66% and 58%

(48) What are the years that the highest and the lowest economic growth rates are recorded in Sri Lanka after the independence?

	Year- Highest Economic growth rate recorded	Year- Lowest Economic growth rate recorded
(1)	2011	2001
(2)	2012	2022
(3)	2008	2019
(4)	2010	2021
(5)	2015	2020

(49) What would be the era that the inward-looking economic policy was practiced in Sri Lanka after the independence?

- (1) The period from 1948-1964
(2) The period from 1961-1977
(3) The period from 1977-1994
(4) The period from 2005-2010
(5) The period from 2005-2015

(50) Select the correct set of data for the employment level as a percentage of GDP in agriculture, industry and service sectors.

	Agriculture	Industry	Service
(1)	8.1	56.3	44
(2)	8.5	54.6	45
(3)	19.9	52.8	40
(4)	27.3	26.0	46.7
(5)	26.5	26.5	47.0





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Third Term Test - Grade 13 - 2023

Index No.:

Economics - II

03 hours

(Additional time for reading 10 minute)

Section A

- 01.
- (a) What do you mean by economic resources? (2 marks)
(b) Natural resources are the non-priced goods. Explain your answer (3 marks)
 - (a) Explain the concept of scarcity and discuss why the scarcity and opportunity cost concepts are inter-related. (4 marks)
(b) Explain the scarcity and opportunity cost concepts using a production possibilities curve. (2 marks)
 - "Even in the free market economy where the price mechanism is existing, is having a significant role for the government." Explain this statement. (4 marks)
 - Mention five characteristics of an economy where economic inefficiency is lead. (5 marks)
- 02.
- Demand is a narrow concept other than concept of "wants". Mention the two main characteristics of an effective demand. (2 marks)
 - Including the demand determinant that shows the difference between individual demand and market demand, mention another two determinants of demand. (3 marks)
 - Instead of the negative relationship between price and quantity demanded of a certain good, some situations are there that a positive relationship is shown in between price and quantity demanded. Mention such 3 situations that shows the positive relationship between price and quantity demanded. (3 marks)
 - Mention main 5 factors to change the supply. (5 marks)
 - Following equations are used to illustrate a certain situation in a comparative market.
 $Ed = 300 - 6p$
 $Qs = -100 + 4p$
 - Using given equations, derive the market equilibrium price and quantity. (3 marks)
 - Draw the demand and supply curves and derive the equilibrium price and quantity. (3 marks)
 - What would be the price elasticity of demand at the equilibrium? (1 mark)
- 03.
- Demand and supply equations of a certain good given as follows.
- Demand equation $Qd = 10 - P$
Supply equation $Qs = -5 + 2P$
- (a) Derive the equilibrium price and quantity in this free market
(b) Calculate the new equilibrium price and quantity when Rs.1.50 of unit tax is imposed on this good.
(c) How much of tax burden is borne by the buyer and seller per unit in this market?
(d) What would be the change in consumer surplus and producer surplus due to tax?
(e) Calculate the government revenue from this unit tax. (2× 5 marks)



- ii. Using relevant diagrams, explain the share of tax burden between consumer and producer in elastic and inelastic demand situations. (4 marks)
- iii. In the free market economy, if government decides to provide a unit subsidy on the producer, draw and explain the share of subsidy benefit between consumer and producer. (Assume, the demand curve gets a negative slope while the supply curve is positively sloped) (4 marks)
- iv. What do you mean by the maintenance of buffer stocks? (2 marks)
- 04.
- i. What are the major determinants of a market structure in an industry? (3 marks)
- ii. Mention whether the following statements can be agreed or not. Explain.
- (a) In the short run production function, the Marginal Product would be zero when the total product is maximized.
- (b) When there is an inelastic elasticity for a certain factor, a higher proportion of the total factor earnings contributed by the opportunity cost or the transfer earnings.
- (c) In a production firm, the situation that total revenue exceeds the total cost is known as the producer surplus.
- (d) The short run supply curve of a firm in a perfectly competitive market is implied by the upward sloped marginal cost curve. (8 marks)
- iii. Draw and explain the way the demand curve of an individual firm in perfectly competitive market is derived from the demand and supply curves of the industry? Further, briefly explain three reasons to determine the shape of the firm's demand curve in a perfectly competitive market. (5 marks)
- iv. Explain the difference between explicit cost and implicit cost of a firm and mention what are the explicit costs and implicit costs of an undergraduate who has started his higher studies in a private University after his O' Level. (4 marks)
- 5.
- i. Explain the difference between mixed income and Gross operational surplus. (4 marks)
- ii. Explain why there is a difference between final consumption expenditure and the actual final consumption expenditure. (3 marks)
- iii. Certain information of a hypothetical market given as below. (Rs. in million)
- | | |
|--|-------|
| Aggregate consumption expenditure | 15000 |
| gross domestic fixed capital formation | 5000 |
| Stock changes | 1000 |
| Net exports | - 500 |
| Net for in primary income | - 200 |
| Net foreign current transfers | 2000 |
- Calculate,
- (a) Gross Domestic Product
- (b) Gross National Income
- (c) Gross Domestic Savings
- (d) Gross National Savings (4 marks)



iv. Certain information of a closed economy given as follows.

Consumption	$C = 200 + 0.8y_d$
Investment	$I = 220$
Government purchases	$G = 200$
Tax	$T = 60$
Transfers given by the government on household $Tr = 50$	

- (a) What would be the equilibrium income of this economy ? (2 marks)
 - (b) What would be the equilibrium income if government purchases are increased up to 300? (1 mark)
 - (c) What would be the government expenditure multiplier? (1 mark)
- v. Using a relevant diagram, explain how macro-economic equilibrium is derived using alternative approaches of investment equals Savings and aggregate income equals aggregate expenditure? (5 marks)

Section B

06.

- (i) What are the determinants of transaction demand for money? (3 marks)
- (ii) What are the components of M1 broad money supply? (3 marks)
- (iii) When the recent past in Sri Lanka is examined, the inflation rate has increased by a historical number. (According to the Colombo Consumer Price Index, the inflation rate in Sri Lanka is 69.8% by the September in 2022.)
What are the major reasons for the inflation in Sri Lanka? (6 marks)
- (iv) When the contractionary monetary policy is functioned by the Central Bank, how does the policy interest rate effect on aggregate demand? (4 marks)

Assume, a commercial bank in a banking system has Rs.800 billion of securities, Rs.1600 of loans, Rs. 150 billion of Excess Reserves , Rs. 3000 million of deposits.

- (a) Prepare the balance sheet of this bank that the Saturday reserve ratio is 15% (2 marks)
- (b) When other factors remain constant if the reserve requirement is reduced up to 10%, prepare the balance sheet when the maximum loan amount is issued. (2 marks)

07.

- (i) Show the difference between welfare goods and demerit goods and give example for each (4 marks)
- (ii) What are the qualities of a good tax system? (4 marks)
- (iii) (a) Discuss the concepts of Current Account Balance and the Overall Fiscal Balance in Public Finance Policy. (2 marks)
- (b) How to affect the private investments and market interest rate , when the budget is financed. (4 marks)
- (iv) What are the measures which can be taken by the government when resource allocation is inefficient due to the positive externalities? (6 marks)



08.

- (i) Following table shows the production capacity of two countries of Thailand and Indonesia which produce garments and bicycle. Assume no other inputs are used in producing these goods.

Good	Thailand	Indonesia
Garments	120	80
Bicycle	60	20

- Regarding the production of both goods, what would be the country that the highest productivity is recorded? (2 marks)
 - Calculate the opportunity cost of bicycle in terms of garments and the opportunity cost of garments in terms of bicycle in both countries. (2 marks)
 - What would be the beneficial exchange rate that garments and bicycles should be exchanged in between Thailand and Indonesia? (2 marks)
- (ii) What are the trade protectionisms applied by countries to protect the domestic industries from foreign competition (5 marks)
- (iii) According to flexible exchange rate system, when the price of foreign currency increases, mention weather that foreign currency supply is increased or decreased in the foreign currency market? (4 marks)
- (iv) If the balance of payment is compulsorily balanced, what do you mean by the imbalance in balance of payment? (5 marks)

09.

- Define the economic growth and mention three types of cost of economic growth. (5 marks)
- In the process of economic development, what are the qualitative changes which should happen in economics structure with economic growth? (4 marks)
- What are the reasons for the regional changes of poverty in Sri Lanka? (4 marks)
- What are the key dimensions used in measuring the human poverty? (3 marks)
- Due to the malnutrition among population, an adverse effect is created on the economic growth and the economic growth is made slow down due to the direct effect of the productivity of human capital and, as the long term effect of decreasing the productivity of human capital for generations. What are the reasons for upgrading the malnutrition condition in Sri Lanka at present? (4 marks)

10.

- What do you mean by Financial Protection Net? Explain in brief the significance of financial protection net for Sri Lankan economy. (6 marks)
- "Even during the post war period, Sri Lankan economy has been unable to attract non-financial flows such as Foreign Direct Investments". What are the factors for the weak investment scenario in Sri Lanka? (4 marks)
- What are the key expected outcomes of the Extended Fund Facility (EFF) arrangement of International Monetary Fund (IMF) which support for the Sri Lanka economic adjustment program? (6 marks)
- What are the debt sustainability targets as per the Debt Sustainability Analysis(DSA) carried out by the International Monetary Fund (IMF) that needs to be achieved by Sri Lanka through the debt restructuring process? (4 marks)

