වයඹ පළාත් අධ්‍යාපන දෙපාර්තමේන්තුව
Provincial Department of Education - NWP

තෙවන වාර පරීක්ෂණය - 13 ශ්‍රේණිය - 2024
Third Term Test - Grade 13 - 2024

Index No.: ....

Economics - I

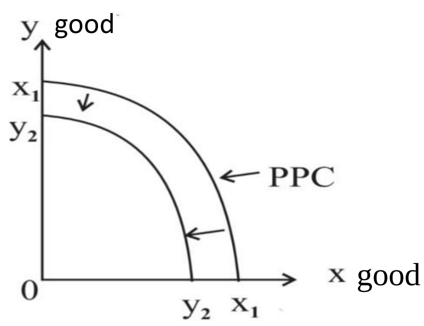
02 hours

Answer for all the questions.

01.Select the macroeconomic statement from the followings.
(1) When marginal product increases marginal cost reduces.
(2) The aggregate budget deficit has gone down compared to the previous year
(3) Compared to the previous year, the rice price of the present year has reduced.
(4) The production cost of a firm can be minimized by increasing its resource efficiency.
(5) The road system of Sri Lanka should be developed to uplift the rural economy.

02. The non-economic good is the good
(1) that the economic value is absent although they are exchanged in the market.
(2) that no resource cost is incurred although there is no price.
(3) that the opportunity cost is zero in consumption
(4) that a price cannot be charged in the market
(5) that has a relative supply shortage

3. Select the reason to shift the production possibilities curve according to the given diagram.



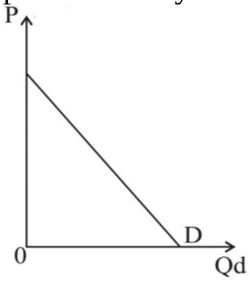
(1) Resource scarcity
(2) economic recession
(3) worker Strike
(4) having an unemployed land
(5) managerial issues.

4. As a new trend in economic systems, the social market economy can be identified. Which of the following would indicate a significant feature of a social market economy?
(1) The decision-making process of solving the fundamental economic questions based on religious ideologies.
(2) ensuring the common property ownership and giving protection by the government when basic human rights are violated.
(3) set up plans and implement them according to the directions given by political authority.
(4) the economic activities performed by the state sector is supervised by the private sector.
(5) Ensuring the social justice based on the basic policies of Private property ownership, free choice and competition

05. Which of the following is **irrelevant** to determine the consumer demand?

(1) consumer taste
(2) price of the concerned good
(3) consumer income
(4) the expected future price of consumer
(5) number of consumers

06. The demand curve of a good which has a negative income elasticity of demand and a negative price elasticity of demand given as below. To shift this demand curve leftward,



(1) the price of the concerned good should be reduced.
(2) the consumer income should be reduced
(3) the consumer income should be increased
(4) the price of the concerned good should be increased
(5) the price of the concerned good should be increased and consumer income should be reduced

07. When the price of a normal good reduces, if the real income is increased,

(1) the demand curve of the concerned good shifts rightward.
(2) The quantity demand of the concerned good increases
(3) the demand curve increases rightward
(4) The quantity that is purchased is reduced
(5) the demand curve shifts leftward.

08. The price elasticity of demand of a certain good is - 5 at Rs. 16 and 320 of quantity. What would be the price to make the quantity demand double ?

(1) The price should be Rs 6
(2) The price should be Rs. 2
(3) The price should be reduced by Rs.3. 50
(4) The price should be reduced by Rs. 3.20
(5) The price should be Rs.5.50

9. What would be the price supply elasticity of decreasing price up to Rs. 3. 50 when supply elasticity is 2 at Rs. 4 where the linear supply curve is given as Qs = - a +bp

(1) The price supply elasticity should be less than two but greater than 1.
(2) The price elastic of supply should be greater than 2
(3) The price supply elasticity should be one
(4) The price supply elasticity should be less than two
(5) The price of elasticity value should between zero and one.

10. Information related to the equilibrium of a certain market given as below.

$$Qd = 80 - 3p$$
$$P = 10 + 0.5\,Qs$$

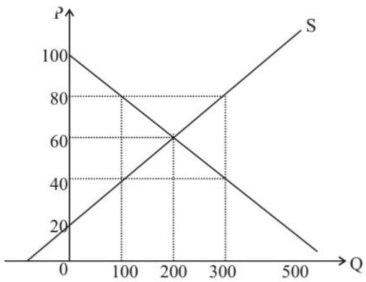
What would be the excess supply price at 35 units of production?

(1) Rs. 10 (2) Rs.12 (3) Rs.15 (4) Rs.12.50 (5) Rs.10.50

11. In an equilibrium Condition, if the supply is increased at a higher rate compared to the decrease in demand, the result would be,

(1) a decrease in equilibrium price and increase in equilibrium quantity.
(2) both equilibrium price and equilibrium quantity increase
(3) equilibrium price reduces. Change in equilibrium quantity is indetermined.
(4) Both equilibrium price and quantity reduced an equal amount.
(5) equilibrium price increases equilibrium quantity decreases or increases.

12.



The demand and supply behavior of X good is explained by the above diagram.
Suppose Rs. 4 of a specific tax is imposed on each unit by the government on the producer in this market. As a result of the tax,

(1) Producer surplus is reduced by Rs 2000
(2) Consumer surplus is decreased by Rs.2000
(3) The tax revenue of the government is increased by Rs. 12000
(4) The loss of economic surplus is Rs. 2000
(5) 200 units of under production is created

13. The demand and supply equations of a good sold in a competitive market given as follows.

Qd = 720 - 4p (demand equation)
Qs = -120 + 2p (supply equation)

If government decides to give Rs 15 of production subsidy on this product, what would be the producer revenue and increase in consumer surplus due to subsidy.

	Producer revenue after subsidy	**Increase in consumer surplus**
(1)	27000	850
(2)	27000	1700
(3)	24300	850
(4)	24300	1700
(5)	24000	2550

14. Which of the following statements would be **incorrect** regarding the minimum price announced by the government in a certain good market.

(1) Price paid by the consumer increases and the quantity purchase is reduced.
(2) if the minimum price is determined below the equilibrium price, the government expectation of imposing minimum price is not been satisfied.
(3) the market mechanism is becoming impractical due to the non-priced rationing techniques.
(4) inefficiency is created in scarce resource allocation.
(5) the employment is reduced ensuring the minimum wage in labour market

15. Certain information related to an annual production and cost of a certain firm given as below.

Wages and salaries of workers	Rs. 45000
Expenditure on raw material	Rs. 8000
Rental payment on buildings	Rs. 9000
Sales cost	Rs. 6000
Interest payment on bank loan	Rs. 7500
Forgone interest income	Ra 4500
Forgone Salary come	Rs. 12000

Accordingly, the accounting cost and economic cost of this firm would respectively be,

(1) Rs. 75500 and Rs.16500
(2) Rs.75000 and Rs.4500
(3) Rs.16500 and Rs.92000
(4) Rs.75500 and Rs.92000
(5) Rs.92000 and Rs. 12000

16. Which of the following would be relevant to identify weather the firm in short run supposes to be involved in the production or not ?

(1) whether the price of the good exceeds the average fixed cost
(2) Weather the marginal revenue of the good exceeds the marginal
(3) whether the price of the good exceeds the average variable cost
(4) weather the average cost of the good equal to the marginal cost.
(5) whether average total cost of the good equal to its variable cost.

17. A firm which is engaged in tire production increases its fixed cost by 50%. What result would be possible related to the marginal cost of this firm?

(1) increased by 50%
(2) decreased by 50%
(3) Increases more than twice
(4) Decreased by 100%
(5) Remains constant

18. Which of the following is possible to seen in Monopolistic comparative market structure?

(1) Existing only one firm
(2) Absence of advertising about the production
(3) large number of firms that produce the homogeneous products.
(4) large number of firms that differentiated products are produced.
(5) a few of firms that the market price is accepted.

19. Which of the followings would be accurate in deriving the Gross Domestic Product at market price?

(1) primary income + foreign primary income receipt
(2) employee compensation + property income + net tax on production and imports + net foreign primary income
(3) disposable gross national income - current account balance of balance of payment + net foreign investment
(4) disposable gross national income - net foreign investment
(5) gross value output at basic price - intermediate consumption expenditure

20. Which of the followings is irrelevant for the hidden economic activities?

(1) clearing forests illegally and sand mining
(2) earning an income by staying in a country without having legal visa
(3) retail trade that income is not revealed.
(4) trading liquor in a licensed bar.
(5) authorized medical practioners

21. "According to the 2023 Income Estimation of Sri Lanka, the primary income component that the gross value addition of the economy is largely contributed is the gross operation surplus."
The value of the gross operational surplus equals to,
(1) the value of all the incomes generated by the entrepreneurs of cooperative sector
(2) the balance derived by subtracting the value of intermediate inputs from the gross value output produced by entrepreneurs in corporate sector.
(3) the value of interest, rent and property income components.
(4) the value of gross value addition created by entrepreneurs in corporate sector.
(5) the balance derived by subtracting salary from the gross value addition generated by the entrepreneurs in corporate sector.

22. Which of the following would cause to overestimate the national accounting?
(1) non reflection of all the productive economic activities.
(2) non reflection of all the informal sector contribution accurately.
(3) not including the value changes of assets due to depriving biomass.
(4) although the state interest payment included into the household income excluding it in national account calculation.
(5) the value of resting is not included in National accounting

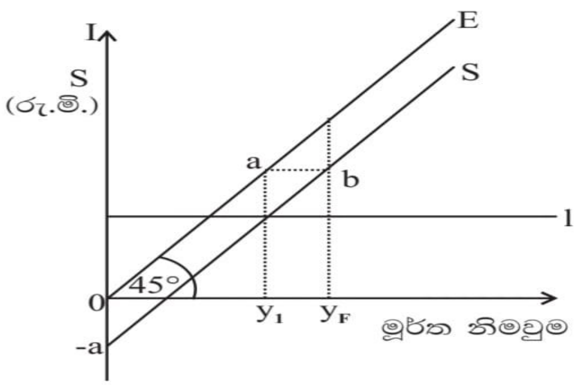
(23) When the disposable income of a hypothetical economy is Rs. 10000 million, the consumption expenditure Rs.9000 million. When the disposable income is increased up to Rs. 20000, the consumption expenditure is increased up to Rs.14000. What would be the value of autonomous consumption expenditure and the value of multiplier in this economy ?

	Autonomous consumption expenditure (Rs. in Mn)	**Multiplayer value**
(1)	4000	5
(2)	4000	2
(3)	6000	4
(4)	6000	3
(5)	6500	2

(24) The consumption expenditure in a hypothetical economy that the government is absent is given as $C = 40 + 0.8\ Yd$.
Assume, due to the introduction of a, new fixed tax system on the basis of gross domestic product, Rs.20 billion of tax is collected and 10 billion rupee of transfers are planned to be given. As a result of that, when the gross domestic product is Rs.500 billion, what would be the consumption expenditure of this economy?
(1) Rs. 424 billion
(2) Rs. 432 billion
(3) Rs. 436 billion
(4) Rs. 440 billion
(5) Rs. 490 bi

25. The behavior of Savings and investment curves at its equilibrium in a simple economy given as below.

I/S



Real output

Consider, the current production of the economy is implied by Y1 and the potential output is implied by Yf.

According to the given information of this economy,

(1) The real output is greater than the potential output
(2) Y1 - Yf gap shows the inflationary output gap of this economy.
(3) equilibrium income is at full employment level
(4) equilibrium output with unemployment is existing.
(5) a-b gap shows the unintended stock accumulation

26. Commercial banks in Sri Lanka keeps statutory Reserves

(1) in terms of foreign currency and deposits of Central Bank
(2) as deposits of other commercial banks that quick withdrawals can be made
(3) in terms of deposits of Central Bank and cash in hand
(4) in terms of foreign currency and gold in Treasure
(5) as deposits of foreign commercial banks that quick withdrawals can be made

27. Identify the source of increase in money supply from the followings.

(1) implementation of relaxed monetary policy of the central bank
(2) decrease in foreign Assets of the central bank
(3) increasing discounted rate
(4) ceiling treasury bills for commercial banks by the central bank
(5) increase in standing deposit facility rate by the central bank

28. Which of the following would cause for the cost push inflation?

(1) Dramatic decrease in fuel price in the world market.
(2) Decrease in buying goods and services by the government.
(3) Due to the pressure of labour Unions, increase in salary rates rather than increase in labour productivity.
(4) A favorable weather conditions
(5) An increase in the value of domestic currency in terms of foreign currency

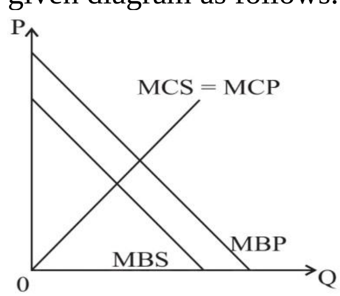
29. Assume, the Excess Reserves are not maintained by the commercial banking system, 20% of statutory reserve ratio is implemented and Rs 2000 million worth deposits of general public are in the banking system.
If Rs 200 million of currency is deposited in banks, what would be the total deposits available in the banking system after all adjustments.
(1) Rs.2800 million (3) Rs. 8200 million (5) Rs 11000 million
(2) Rs.3000 million (4) Rs. 9000 million

30. When excess reserves are maintained by commercial banks,
(1) there is a tendency to expand the Bank deposit multiplier.
(2) there is a possibility of creating demand deposits in banking system
(3) the ability of credit creation is limited in banking system
(4) there is a trend of decreasing the interest rate in financial market.
(5) there is a trend of decreasing the deposit expansionary multiplier in market.

31. The marginal social cost of consuming a good that has non rivalry in consumption and non-excludability in consumption is,
(1) increases (2) infinite (3) positive (4) zero (5) negative

32. Which of the following is not a reason for the market failure?
(1) Monopolistic nature of the market related to the production
(2) over production of demerit goods in the society
(3) unequal income distribution
(4) producing private goods
(5) Creating a dead weight loss due to the production of goods that externalities are created.

33. The production and consumption of a certain good in a market draft as follows. Select the accrate statement according to the given diagram as follows.



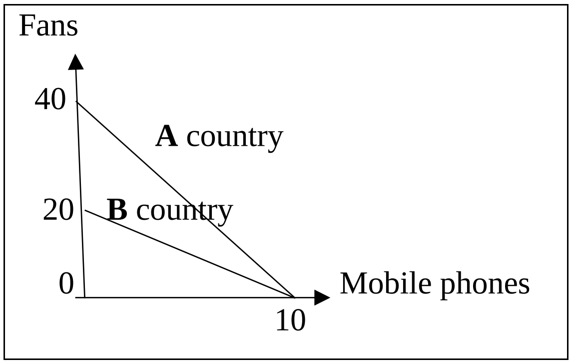
(1) positive externality in consumption and under consumption situation
(2) negative externality in consumption and over consumption situation.
(3) positive externality in production and over production situation
(4) negative externality in production and under production condition.
(5) negative externality in consumption and under production situation.

34. Select the answer that the highest tax incomes are orderly denoted in Sri Lanka at present?
(1) value added tax, Income Tax, excise duties
(2) income tax, excise duties, National Development tax
(3) excise duties, import tax, value added tax
(4) import tax, income tax, value added tax
(5) Income Tax, value added tax, excise duties.

35. What would be the central government debt as a percentage of Sri Lanka in 2022?

(1) 100.2% (2) 103.8 % (3) 108% (4) 114.2 % (5) 103.9 %

36. The production possibilities curves of A and B of two countries that produce two similar products given as below.



According to the given information, select the statement that can be agreed.

(1) the comparative advantage of producing fans is with country B
(2) the country A should be specialized for mobile phones.
(3) No Country earns absolute advantage for producing mobile phones.
(4) the absolute advantage of producing mobile phones is with country A
(5) No Country can gain the comparative advantage of producing fans.

37. Which of the following implies an argument against to the trade protectionism?

(1) protecting infant industries until they are efficient and competitive in the production.
(2) protecting the dumping
(3) making the Balance of Payment favorable minimizing the trade deficit.
(4) limiting the freedom of choice in the market for consumers
(5) a source of government revenue

38. Which of the followings is not a factor to determine the income terms of trade?

(1) export price (3) import price (5) import quantity
(2) export volume index (4) export quantity

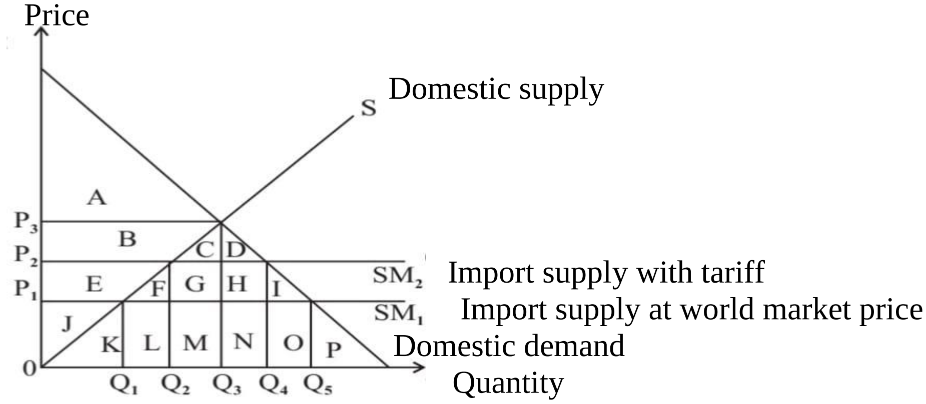
39. The nominal effective exchange rate in Sri Lanka is calculated related to 5 main foreign currencies. The currency which is irrelevant is,

(1) American Dollar (3) Japanese yen (5) Euro currency
(2) sterling pound in the UK (4) German Deutschmark

40. According to the preferential and free trade agreements, what would be the preferential trade agreement that the highest export value is recorded in 2022 in Sri Lanka ?

(1) Asia Pacific Trade Agreement
(2) Indu Sri Lanka Free Trade Agreement
(3) South Asian Free Trade Agreement
(4) Pakistan Sri Lanka Free Trade Agreement
(5) SAARC Preferential Trade Agreement

(41) A good which is produced domestically but imported from abroad and then imposing a tariff is illustrated as follows.



Which of the following would accurately imply the changes created due to impose in tariff?

	Tariff income of the government	Dead weight loss	Import tax
(1)	G + H	F+I	C+H+M+N
(2)	E+F+G+H+I	C+D	L+M+N+O+P
(3)	G+H+M+N	E+F+I	C+D
(4)	G+H	K+P	H+N+G+M
(5)	F+G+H+I	J+P	K+L+M+N+O+P

42. Which of the following is **not** an assumption for the theory of comparative advantage?

(1) perfect factor mobility
(2) constant economies of scale
(3) specialty of weather
(4) absence of externalities in production and consumption.
(5) negligence of transport cost

43. Economic growth is a significant and decisive factor for an economy. As well as advantages, disadvantages even are incurred with economic growth. Select a disadvantage situation of economic growth.

(1) Increasing the standard of Living through the creation of job opportunities
(2) Increasing living standard due to increase in income
(3) Strengthening the balance of payment
(4) Protecting the environment by producing environmental favorable products
(5) Not increasing the foreign value of domestic currency

44. Which of the following would accurately define the equation of measuring the quantile dispersion ratio which is used to measure the unequal income distribution

(1) Quantile Dispersion Ratio = $\dfrac{\text{Average monthly income of high-income group}}{\text{Average monthly income of middle-income group}}$

(2) Quantile Dispersion Ratio = $\dfrac{\text{Average monthly income of low-income group}}{\text{Average monthly income of high-income group}}$

(3) Quantile Dispersion Ratio = $\dfrac{\text{Average monthly income of high-income group}}{\text{Average monthly income of low-income group}}$

(4) Quantile Dispersion Ratio = $\dfrac{\text{Average monthly income of middle-income group}}{\text{Average monthly income of high-income group}}$

(5) Quantile Dispersion Ratio = $\dfrac{\text{Average monthly income of high-income group}}{\text{Average monthly income of low-middle-income group}}$

45. As a measure of the balanced urban development of the Sri Lankan economy, the prosperity index is introduced in 2008.The Prosperity Index value in Sri Lanka at present is,
(1) 0.700 (2) 0.770 (3) 0.796 (4) 0.790 (5) 0.800

46. The Achievement of the development of a country is accurately denied by the
(1) favorable budget report
(2) uplifting the environmental sustainability
(3) improving the money supply of the country
(4) hiking the inflation rate of the country
(5) increase in population of the country

47. Select the accurate information about the sector contribution for the year 2022

	Agriculture %	Industry %	Service %
(1)	20.3	28.1	51.6
(2)	26.1	25.5	48.4
(3)	26.1	28.1	45.9
(4)	25.3	27.6	47.1
(5)	27.1	26.9	46.0

48. When the income is re-distributed from 10% of the richest group to the 10% of Poorest group in the society
(1) the Guinea Coefficient increases and the Lawrence curve lies on 45 degrees line
(2) the Guinea Coefficient increases and the Lawrence curve moves away from 45° line.
(3) the Guinea coefficient reduces and the Lawrence curve is lying closer to 45 degrees line.
(4) Gini coefficient reduces and the Lawrence curve is lying away from 45 degrees line
(5) Guinea Coefficient increases and the Lawrence curve is lying closed to 4 5 degrees line

49. Sir demographic information of a country even as below.

Item	**Number (million)**
Total population	32
Population below 15 years	3
Active population	27
Economically inactive population	2

If the unemployment rate of the economy is 20%, the most appropriate answer for the given information is,
(1) Child dependency ratio is 9.37% and the Labour force is 30 million.
(2) unemployed population is 8 million and economically active population is 29 million.
(3) Labour force participation ratio is 90% and Employed population is 22 million.
(4) unemployed population is 5 million and child dependency ratio is 11.11%
(5) the employed population as a percentage of total population is 84.37%

50. According to the past experience, Sri Lanka is undergone for two Mutual Evaluations(MEs) by the Financial Actions Task Force(FATF) and being included in the FATF "Grey List" . Which of the followings would cause for naming in Sri Lanka in Gray List ?
(1) due to the establishment of protective financial system at present within the global financial system.
(2) As stable measures are taken to prevent financial Malpractices.
(3) as significant measures are taken to ensure the national security.
(4) as Sri Lanka was unable to ensure the political stability due to the week governance and corruptions.
(5) as Sri Lanka has short falls to make successful measures to curb the terrorist financing and money laundering.

වයඹ පළාත් අධ්‍යාපන දෙපාර්තමේන්තුව

Provincial Department of Education - NWP

තෙවන වාර පරීක්ෂණය - 13 ශ්‍රේණිය - 2024

Third Term Test - Grade 13 - 2024

Index No.: ....

Economics - II

03 hours

(Additional time foe reading 10 minute)

Sub section A

(Select minimum of two questions from this section)

01.

(i) Categories followings for the related capital types.

a) Buildings
b) Roads
c) Stock of halfly finished goods
d) Schools building (4 marks)

(ii) "Scarcity refers for the poverty". Do you agree with this statement? Explain. (4 marks)

(iii) Explain following economic events using relevant production possibilities curves.

a) Due to the improvement of roads and other transport ways, certain unutilized rural resources are utilized. (2 marks)

b) Decreasing the Agri productivity due to a shortage in fertilizer (2 marks)

iv) When scarce resources are allocated, the market economy is unable to function efficiently at all the time. Mention four inefficiencies in free market economy. (4 marks)

v) When basic economic issues are solved utilizing alternative techniques, economic systems are deferred. What are the criteria in assessing the performances of an economic system? (4 marks)

02.

(i) What would be the difference between supply and quantity supply of a certain good? Explain using relevant diagrams. (4 marks)

(ii) The substitute effect of price change means the response of consumers for the relative price of the concerned good. Explain what do you mean by the relative price? (4 marks)

(iii)

(a) When the price of X good is Rs.10, the demand of Y good is 100. When the price of X good is Rs.15, the demand of Y is 200 units. Calculate the Cross-Price Elasticity of Y good when the price of X good is Rs.10. (2 marks)

(b) Identify the type of this good according to the cross elasticity of demand. (2 marks)

(iv) Discuss the effects of followings for the Roofing supply curve and its market equilibrium.

a) Increase in price of raw materials used in producing roofing. (2 marks)

b) Entering new firms for the roofing industry. (2 marks)

(v) The linear demand and supply equations of a certain good given as below.

$$Qd = 60 - 2P$$

$$Qs = -30 + 4p$$

(a) Calculate the equilibrium price and equilibrium quantity of this market (2 marks)

(b) Calculate the price supply elasticity at the equilibrium price. (2 marks)

(c) What would be the excess demand at Rs.10? (2 marks)

03.

(i) "As, the equilibrium price and quantity after subsidy cause to increase the consumer and producer surpluses, the resource allocation would be efficient due to subsidy". Do you agree with this statement? Explain. (4 marks)

(ii) Assume, Diesel is an essential product for the economy and if a specific production tax is imposed on this good which has an elastic supply, explain the share of tax burden using a relevant diagram. (4 marks)

(iii) The demand and supply equations of a certain good in a free-market economy given as below.

$$Qd = 320 - 3P$$
$$Qs = -80 + 2p$$

a) Suppose this market is intervened by the government by imposing Rs 60 of maximum price. Using the relevant diagram draw and explain the excess demand resulted with maximum price. (4 marks)
b) In rationing scarce goods if black market price is practiced, what would be the maximum black-market price in the market? (2 marks)
c) If this good is sold in the market at the maximum price, calculate the dead weight loss of this market and mark and show it in the diagram. (2 marks)

(iv) The minimum price is imposed on specific goods because, the government thinks the market determined equilibrium price is unfair for the producer and he can be facilitated by giving a higher price even than the equilibrium.
Due to minimum price, when an under- production takes place, explain the effects towards the total economic surplus using a relevant diagram. (4 marks)

04.

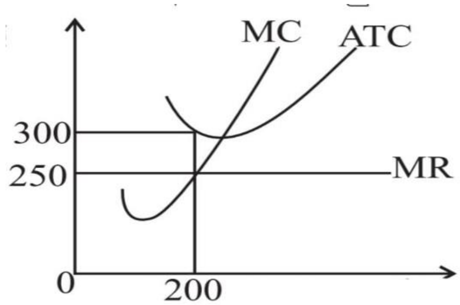
(i) Mention,weather the below given statements which are related to the short run production cost are correct or wrong.

(a) The difference between average total cost and average variable cost is the marginal cost
(b) The minimum point of average variable cost is intersected by the marginal cost.
(c) The gap between average total cost and average variable cost is narrowed with an increase in output.
(d) The minimum point of the average total cost curve is cut by the marginal cost curve

(4marks)

(ii) Assume, a businessman continues his business by utilizing a bulk of capital stock. Further assume, for the repairing of this capital stock, a certain money amount is allocated. The sales value of his capital stock was reduced by the end of the particular financial year compared to the beginning.
Concerning about given information, discuss the difference between "economic depreciation" and "amortization payment". (4 marks)

(iii) The present situation of a firm in perfectly competitive market given as below. The total fixed cost of this firm is Rs. 20000 million.



Discuss, which measures should be taken by the entrepreneur of this firm either to maximize profit or minimize the loss. (4 marks)

(iv) Explain the difference between economies of scale and the diseconomies of scale of a firm in perfectly competitive market due to the expansion of the business in long run. (2 marks)

(v) State four salient features of the Monopoly market structure. (4 marks)

(vi) The market price of 1 kg of onion is Rs 200 . Assume, a farmer cells 30 kilogram of onion within a week. Regarding the onion production, the average variable cost and average fixed cost per kilogram are Rs.120 and Rs.70 respectively.

Calculate the **production surplus** and the **economic profit** of this onion farmer within a week. (4 marks)

05.

(i) "The goods and services which are produced without targeting at the market and profit by the non-Profit institution serving household sector, government and households are even included into the production boundary".

When the values of these outputs are estimated, the total production cost of them are considered. What are the main components which are included into the aggregate production cost? (4 marks)

(ii) Introduce "produced non-financial assets" and "non produced non-financial assets" included into the gross domestic fixed capital formation. (2 marks)

(iii) Assume, certain information of a hypothetical market given as below. (Values in rupee in billion)

Item	**Value**
Compensation of employee	2400
Gross mixed income	3800
Gross operational surplus	4000
Tax on product	900
Subsidy on product	250
Gross Domestic Product	11000
Net export	-100
Current account balance of balance of payment(net)	200

Calculate

(a) Gross value addition at basic price (2 marks)

(b) Foreign service (2 marks)

(c) Disposable gross national income (2 marks)

(iv)

(a) What would be reflected by the aggregate expenditure function of an open economy? (2 marks)

(b) Draw the aggregate expenditure function in a diagram and show the equilibrium national output level of the economy. (2 marks)

(v) Certain macroeconomic information related to a hypothetical equilibrium income given as below.

Consumption	C	=	50 + 0.8 y d	(Rs. in billion)
Investment		=	120	
Government expenditure		=	200	
Autonomous tax		=	80	
Transfers given by the government		=	55	
Net export		=	-100	

(a) Calculate the disposable private income of this economy (2 marks)

(b) Assume the equilibrium national income of the economy has created Rs. 500 billion of positive output gap. As an alternative measure of removing this output gap, if government expenditure is utilized, what would be the change in government expenditure ? (2 marks)

Sub-Section B

(Select minimum of two questions from this section)

6.

(i) Due to the special characteristics of money, all the assets are not been considered as money. What are the qualities of good money? (4 marks)

(ii) What are the components considered in calculating the consolidated broad money supply in Sri Lanka? (4 marks)

(iii) How to affect followings due to inflation?

(a) Unemployment (c) Imports

(b) Exchange rate (d) Balance of Payment

(iii) Certain information of a banking system in an economy given as below. (All the values in rupee in million)

Capital	100	Deposit	1000
money and Reserves	200	Statutory reserve ratio	20%
Loans	900		

Answer for following questions using given information.

(i) Prepare a balance sheet that assets and liabilities of the banking system are mentioned. (1 mark)

(ii) Mention whether the banking system is having excess Reserves? (1 mark)

(iii) Can deposits be created for the banking system further? (1 mark)

(iv) If the loan amount that is supplied by the banking system is Rs.700 in million, what would be the change of its balance sheet? (1 mark)

(v) When the supplied loan amount is Rs.700 million what would be the value of excess Reserves? (1 mark)

(vi) If the excess reserves are entirely used for issuing loans, what would be the new deposits which can be created by the banking system? (1 mark)

(vii) When all the reserves are used for issuing loans, prepare the new balance sheet of this banking system. (2 mark)

07.

(i) What would be the type of the externality created for the following conditions.

(a) The private production of the market economy is 80000 units, but the socially required consumption unit amount is 50000.

(b) The private consumption of the market economy is 1000 units, but the socially required consumption unit amount is 900.

(c) The private producer of the market economy has produced 4000 units and social optimum output level is 5000 units.

(d) The social optimum consumption amount is 8000 units but the consumption amount of the market economy is 7000 units. (4 marks)

(ii) Identify welfare goods, pure public goods, Quasi public goods and common resources from the followings.

(a) Expressways

(b) environmental conservation programs

(c) sanitary services

(d) grasslands (4 marks)

(iii)

a) As a supply side policy of the government, what do mean by "Deregulation"? (2 marks)

b) What are the benefits related to the Deregulation? (4 marks)

(iv) As a result of the strive made by the government in succeeding the Fiscal Consolidation, as a percentage of Gross Domestic Product there is a significant improvement in government revenue in recent past. What are the measures taken by the government for such an improvement? (6 marks)

08.

i). Explain following concepts in brief.

a) Static gains

b) Dynamic gains

c) Competitive advantage (3 marks)

(ii) What do you mean by effective rate of protectionism? Write the components of the equation used in calculating the effective rate of protectionism. (4 marks)

(iii) Name four of non- tariff protectionism methods. (4 marks)

(iv) What do you mean by Economic Integration? Write four types of economic Integrations. (5 marks)

(v) Certain information related to the balance of payment in Sri Lanka of a certain year given as below. (Rs. in million)

Export value	274000
Services -receive	51000
Service -payment	42000
Income - net	-9000
Private transfers - net	46000
Official transfer - net	2000
current account balance	-22000

Calculate

a) Trade balance (1 mark)
b) Import value (1 mark)
c) Net balance of Good and service income (1 mark)
d) If the gross domestic expenditure is Rs. 350000 million, calculate the expenditure on gross domestic product.

09.

(i) Recording a negative economic growth rate in recent past in Sri Lanka is exactly unfavorable for the Sri Lankan economy. What are the adverse effects of reporting negative economic growth rates for an economy? (4 mark)

(ii) How to classify countries in the world according to the human development index introduced by the United Nations Development Program related to United Nations Organization? (4 mark)

(iii) At present, the concept of sustainable development, is paid a big addition by all the countries in the world. What do you mean by "sustainable development"? Explain (4 marks)

(iv) According to the socio-economic survey reports, the rate of poverty in Sri Lanka has increased at present. Accordingly, the low-income earners are much pressured and some socio- economic issues are created. Suggest measures that can be taken to uplift the living standard of low-income earners in Sri Lanka? (4 mark)

(v) In recent past decades, the distribution of population in Sri Lanka has gained dramatic changes. Mention four of such changes occurred in Sri Lanka. (4 mark)

10.

(i) (a). Define “Infrastructure facilities” and classify the nature of them. (2 marks)
(b). Discuss the progress of “Aswasuma program” implemented in 2023 purposing of giving benefits for households those who are in a risk of prevailing economic crisis. (3 marks)

(ii) According to the survey conducted by the Census and Statistics Department, it is revealed that the school education of 3 to 21 years ‘old individuals' is dropped by 54.9%. Identify reasons to create such a condition and mention measures that are taken by the government to get the entrance of quality education and increasing the participation rate of the education. (4 marks)

(iii) “Although the Foreign Direct Investment would be a prominent factor in making the base for the economic diversification, the Sri Lankan progress related to FDI is not in a satisfactory level.” What are the political risks related this condition in Sri Lanka? (4 marks)

(iv) Relative to the previous year, the foreign sector in Sri Lanka is showing a stable positive improvement by the end of 2023. What are the reasons for such a favorable condition in Sri Lanka? (4 marks)

(v) How to affect the unfavorable Global trends created in the world economic environment towards the Sri Lankan economy? (3 marks)