



**தொண்டைமாளாறு வெளிக்கள நிலையம் நடாத்தும்  
முன்றாம் தவணைப் பரீட்சை - 2022  
Conducted by Field Work Centre, Thondaimanaru.  
3<sup>rd</sup> Term Examination - 2022**

**பொருளியல்  
Economics**

**Three Hours**

**21**

**E**

**I,II**

**Gr -12 (2022)**

**Part I**

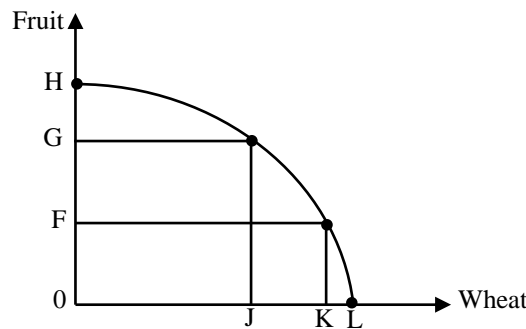
**❖ Instructions**

- Answer all the questions.
- Write your Index Number in the space provided in the answer sheet.
- In each of the questions 1 to 20 pick one of the alternatives from (1), (2), (3), (4), (5) which is correct or most appropriate and mark your response on the answer sheet with a cross (X) in accordance with the instructions give in the back of the answer sheet.

01. Which one of the following best describes the basic economic problem.

- 1) Living standards are low for many people.
- 2) Resources are being depleted too rapidly.
- 3) Resources are scarce relative to needs and wants.
- 4) Resources are unequally distributed.
- 5) An income in the rate of income tax decreases the wish to save. (.....)

02. The production possibility boundary below shows the possible combinations of fruit and wheat that a country could choose to Produce.



The country is producing “OF” fruit and “OK” wheat. If it decides to increase fruit production to OG the opportunity cost in terms of wheat would be

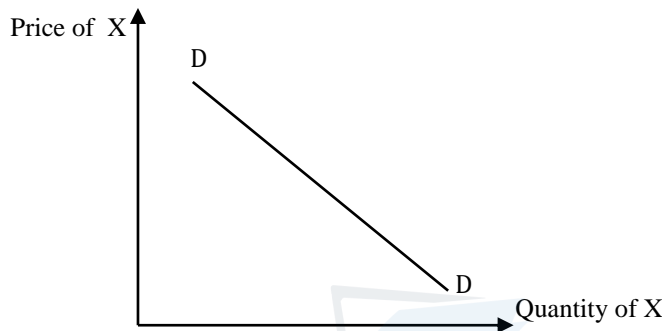
- 1) OJ
- 2) JK
- 3) OF
- 4) KL
- 5) LJ (.....)

03. In a free enterprise economy the price mechanism operates to determine

- a) The allocation of resources to different industries.
- b) The distribution of money income.
- c) The method of production

- 1) a only
  - 2) b only
  - 3) c only
  - 4) a, b only
  - 5) a, b and c
- (.....)

04. Demand Curve DD shows that



- 1) More X is demanded as its price rises.
  - 2) As more X is demanded, the price rises.
  - 3) More X is demanded as its price falls.
  - 4) More X is demanded as its price constant.
  - 5) The only factor that affects demand is its own price.
- (.....)

05. The elasticity of a downward sloping straight line demand curve is

- 1) Zero
  - 2) Unity
  - 3) Positive
  - 4) Variable along its length
  - 5) Infinity
- (.....)

06. In a small town the market for bread is represented by the following demand and supply.

P	Qd	QS
20	90	0
40	70	40

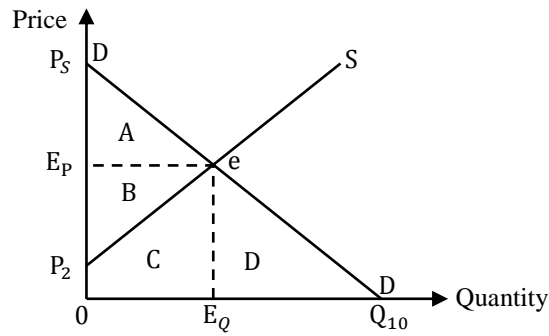
The market supply equation is

- 1)  $Q_S = 40 + 2P$
  - 2)  $Q_S = 2P$
  - 3)  $Q_S = -40 - 2P$
  - 4)  $Q_S = -2P$
  - 5)  $Q_S = -40 + 2P$
- (.....)

07. Suppose the market supply function for a certain consumer good is represented by  $Q_S = 500 + 5P$  what is the “arc” price elasticity of the supply of this good over price range of Rs. 20 and Rs. 30?

- 1) 0.13
  - 2) 0.2
  - 3) 0.25
  - 4) 0.33
  - 5) 0.42
- (.....)

08. In this diagram DD represents demand curve and represents supply curve.



What area represents the total revenue of producer in equilibrium?

- 1) A                      2) B                      3) BC                      4) ABC                      5) ABCD  
(.....)

09. Market demand and supply curves for a certain consumer good is represented by the following equations

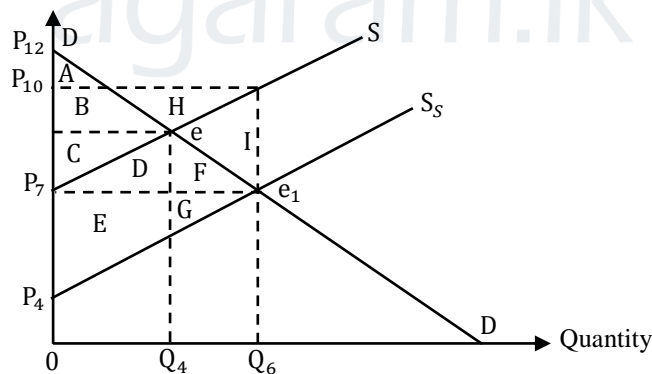
$$Qd = 6000 - 100P$$

$$Qs = -1000 + 100P$$

Then the equilibrium quantity and price would be

- 1) 3500 units and Rs. 25                      2) 2500 units and Rs. 35                      3) 1500 units and Rs. 70  
4) 5000 units and Rs. 60                      5) 6000 units and Rs. 10                      (.....)

10. In the diagram DD represents demand curve S and  $S_s$  represents respectively supply curve before and after Specific Subsidy imposed by the government.



What area represents the dead weight loss of the subsidy?

- 1) BCD                      2) EFG                      3) DG                      4) H                      5) I  
(.....)

11. The following equations describe the market demand and supply functions of a commodity.

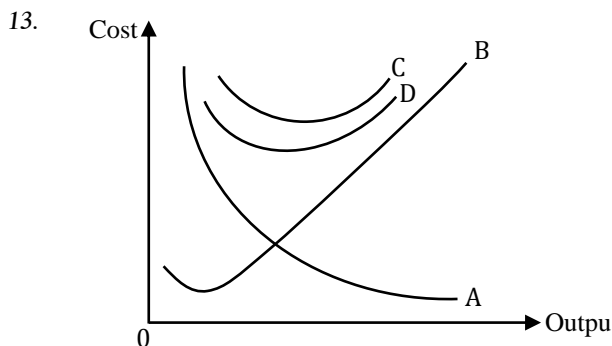
$$Qd = 50 - 5P$$

$$Qs = -10 + 5P$$

Suppose now the government introduces a guaranteed price of Rs.8 per unit for the producers in this market what would be the total cost, where the surplus production is purchased by the government.

- 1) Rs. 240                      2) Rs. 160                      3) Rs. 120                      4) Rs. 80                      5) Rs. 48  
(.....)

12. a) Total production starts falling when diminishing returns set in  
 b) Property taxes building insurance payments and amortization payments are fixed cost.  
 c) Diminishing returns and decreasing returns a scale are different ways of saying the same thing  
 1) a and b are true but c is false      2) a and c are true but b is false      3) a and c are false but b is true  
 4) a, b and c are false      5) a, b and c are true      (.....)



In this above diagramme

	A	B	C	D
1)	AFC	MC	AVC	AC
2)	AFC	MC	AC	AVC
3)	AC	MC	AFC	AVC
4)	AC	AFC	MC	AVC
5)	AFC	AVC	AC	MC

(.....)

14. Which of the following are characteristic of a perfectly competitive market.  
 A) Homogenous products.  
 B) Imperfect information and inability to obtain information without a cost.  
 C) Free entrance and exit.  
 D) Only one firm is engaged in the production.  
 1) A and B only      2) A and C only      3) A and D only  
 4) B and D only      5) A, B, and C only      (.....)

15. One of the real flows in the circular flow model of income is,  
 1) The flow of money payments going from firms to households.  
 2) The flow of money payments going from house to firm.  
 3) The flow of goods and services going from firms to households.  
 4) The flow of factor services going from firms to households.  
 5) The flow of goods and services going from house holds to firms.      (.....)

16. What is included in the measurement of Gross National income (GNI)?

- 1) The preparation of foods for members of household.
- 2) Looking after the children.
- 3) The care of old people of a household.
- 4) Growing of fish in a fish tank.
- 5) Activities such as decorating and cleaning of a house. (.....)

17. Assume you have been given the following data for a hypothetical economy.

	Rs.
Gross domestic capital formation	1000
Private consumption expenditure	3000
Net primary income from abroad	200
Government purchases	900
Changes in stocks	100
Net Exports	150
Imports	600

What is the Gross domestic product (GDP)

- 1) Rs. 4900      2) Rs. 5050      3) Rs. 5150      4) Rs. 5350      5) Rs. 5950      (.....)

18. Which of the following statements defines the gross value added (GVA)?

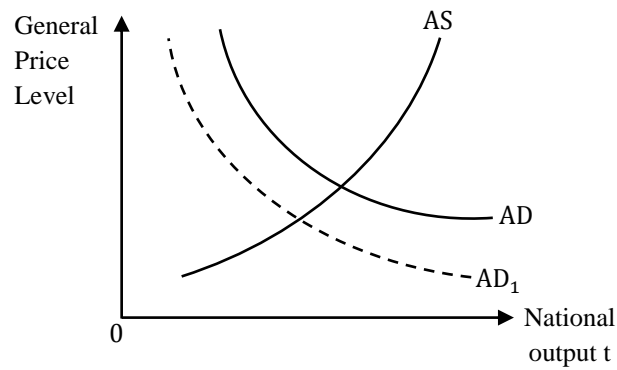
- 1) The total quantity of output produced by an economy in a given time period.
- 2) The value received after deducting the value of intermediate inputs.
- 3) The total market value of all output produced by an economy in a given time period.
- 4) The financial value of goods and services produced.
- 5) The total value of all final goods and services sold in the domestic market in a given time period. (.....)

19. As income level increases from Rs. 5000 to Rs. 10000 consumption expenditure increases from Rs. 7000 to Rs. 11000, in this economy autonomous expenditure is 2000 consumption is 500

What is the consumption expenditure when the equilibrium

- 1) Rs. 6500                      2) Rs. 7000                      3) Rs. 7500  
4) Rs. 8500                      5) Rs. 10000                      (.....)

20. The diagram shows aggregate demand (AD) and aggregate supply (AS) curves for an economy.



What would cause a change in the aggregate demand from AD to AD<sub>1</sub>?

- 1) A decrease in the budget surplus.
- 2) Consumption of domestic instead of foreign goods.
- 3) Government campaigns to encourage household savings.
- 4) Investment in knowledge based enterprises.
- 5) Increase in Government expenditure.

(20×1=20 marks)

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**Part II**

**Instructions :-** Answer four questions only selecting minimum of two questions from sub – section A and two questions from subsection B.

**Sub section “A”**

(Select minimum of two questions from this section)

01. i) What is meant economic resources? How do you categorize those resources? (4 marks)
- ii) Define the following concepts
- a) Shortage
- b) Opportunity cost (2x2=4 marks)
- iii) Answer following questions, referring to the table.

Wheat (Kilogram)	(Loth (Meta)
50	0
40	5
30	10
20	15
10	20
0	25

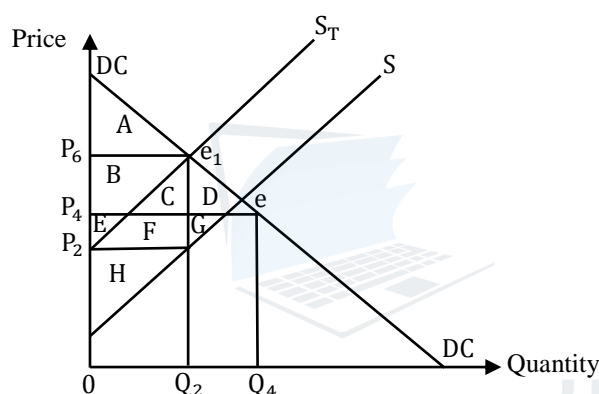
- a) Explain whether there is possibility of producing 30kg of wheat and 15 meters of cloth according to the possibility curve. (2 marks)
- b) Illustrate whether there is possibility of producing 20kg wheat and 10 meter of cloth efficiently according to the production possibility curve. (2 marks)
- iv) Discuss whether free market economies or centrally planned economies are more likely to make choices that will maximize the benefits for consumers (4 marks)
- v) How different types of economic systems answer to the question of what good and service should be produced (4 marks)
02. i) Explain the Law of demand and mention why does a demand curve slope downward? (4 marks)
- ii) If the price of a good falls from Rs. 6 to Rs. 4 and the quantity demanded rises from 8000 units to 12000 units.
- a) Calculate the price elasticity of demand by using arc method (3 marks)
- b) What happens to producer revenue due to the price decrease? (2x2=marks)
- iii) a) What are the determinants of supply? (2 marks)
- b) What are the factors which determine the elasticity of supply. (2 marks)

iv)

P	0	10	20	30	40	50	60	70	80
Qd	8000	7000	6000	5000	4000	3000	2000	1000	0
Qs	-1000	1000	2000	3000	4000	5000	6000	7000	8000

- Calculate the equilibrium price and quantity (2 marks)
- Calculate consumer surplus at equilibrium point (2 marks)
- Calculate producer Income at equilibrium point (2 marks)
- Calculate excess demand at price of Rs. 10 (2 marks)

03. i) The diagram below re-presents a competitive market for a certain consumer good.

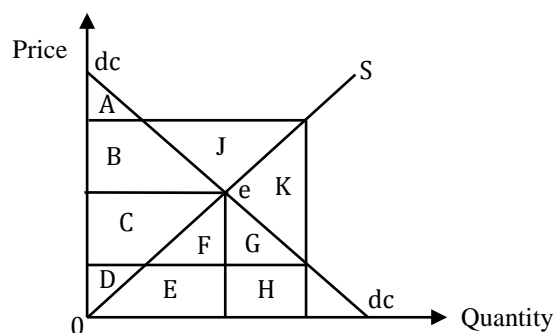


If a specific tax (unit tax) is levied on the product in this market by the government

- The producer surplus area after this tax.
  - Total surplus area after this tax. (2x2=4 marks)
- Suppose that the market supply elastic curve for the certain consumer good is up ward sloping and the market demand curve is downward sloping. How does a unit subsidy on the product affect the consumer surpluses and the producer surplus? Explain with a graph (4 marks)
  - Distinguish between ceiling price and floor price (4 marks)
  - What are the economic consequences of a maximum price for an essential consumer good imposed by the government (4 marks)



v) Deficiency pay mend system can be illustrated by a graphs below



- a) The cost of government for deficiency payment. (2 marks)  
 b) Producer income area? (2 marks)

### Subsection 'B'

04. i) Explain how the law of diminishing returns and the law of returns to scale affect a firm's cost of production (4 marks)  
 ii) Why do economists regard normal profit as a cost (4 marks)  
 iii) Explain the difference between explicit cost and implicit costs giving examples. (4 marks)  
 iv) a) What are the four types of market structures (2 marks)  
 b) What is meant by "barriers to entry" to as inducing (2 marks)  
 v) Distinguish between economic rent and transfer earnings (4 marks)
05. i) What is ment by business cycle? What are the four stages of business cycle? (4 marks)  
 ii) Assume that you have been given the following data regarding a hypothetical economy.

Value of output before entering the market	10,000
Raw material cost	4000
Cost of services	1000
Rent	2000
Wages	1000
Infract	1000
Profit	500

- a) Calculate the Total value addion?  
 b) What is the Non-factor payments (Depreciation of capital) of this economy? (2x2=4 marks)
- iii) Explain about Hidden economic activities and Illegal economic activities? (4 marks)  
 iv) a) What are the incomes not received by households? (2 marks)  
 b) What are the income of households not included in national income? (2 marks)

v) Assume that you have been given the following data regarding a hypothetical economy.

Final consumption expenditure (FCE)	Rs. 1000 million
Gross domestic capital formation (GDCF)	Rs. 2000 million
Net exports (NX)	Rs. 500 million
Net primary income from rest of the world (NPI Row)	Rs. 200 million
Net current transfers form rest of the world (NCT Row)	Rs. 300 million

- a) Gross National income at market price (2 marks)
- b) Disposable gross national income at market price. (2 marks)

06. i) a) What is meant by aggregate expenditure? (2 marks)
- b) What are the components of aggregate expenditure? (2 marks)

ii) The following is a list of macro-economic data. for a hypothetical economy

**Yield (Y)**

2000

4000

**Consume C**

2100

3700

Estimate the following

- a) Consumption equation
- b) At which income level does the savings equal zero?

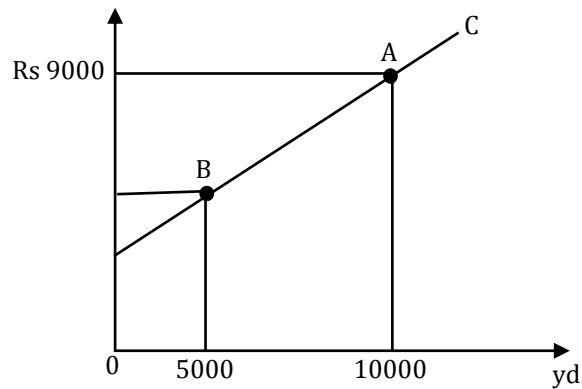
(2x2=4 marks)

- iii) a) Explain what is the relationship to marginal Propensity to save (MPS) and equilibrium income. (2 marks)
- b) Using the following equation and calculate Tax multiplies (KT)

$$C = 200 + 0.75 yd$$

(2 marks)

- iv) a) The diagram below displays a linear aggregate consumption function with a Marginal propensity to consume (MPC) of 0.8.



What is the amount consumption expenditure corresponding to point B? (2 marks)

b)  $C = 1000 + 0.75yd$

$I = 500$

$G = 500$

$T = 200$

$NX = 150$

What is the total value of autonomous expenditures in this model?

- v) What is meant by full employment level of equilibrium output explain with graph? (4 marks)