



தொண்டைமாளாறு வெளிக்கள நிலையம் நடாத்தும்
நான்காம் தவணைப் பரீட்சை - 2022
Conducted by Field Work Centre, Thondaimanaru.
4th Term Term Examination - 2022

பொருளியல் I
Economics I

Two Hours

21

E

I

Gr -13 (2022)

Instructions:

- ◆ Answer the all questions
- ◆ In each of questions 1 to 50, pick one of the alternatives from (1), (2), (3), (4), (5) which is correct or most appropriate and make your response on the answer sheet with cross (X) in accordance with the instructions given in the back of the answer sheet.

01. Which one of the following factor is not related to determination of unlimited wants?

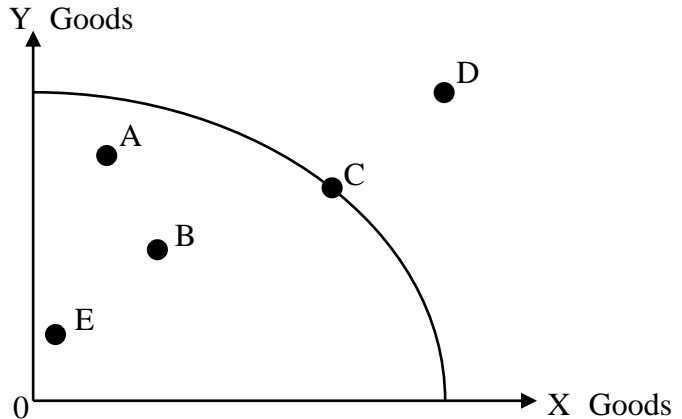
1. Social environment
2. Intrinsic factors such as birth, religious, beliefs and family background
3. Physical and mental needs
4. Age of the population
5. Advertising and innovation

02. Which of the following is a feature of an economic good?

1. It has a zero opportunity cost and zero marginal cost
2. It is supplied naturally
3. It is limited supply and it has not commercial value
4. It has positive marginal cost and zero opportunity cost
5. It is supplied by using limited resources and it has positive price

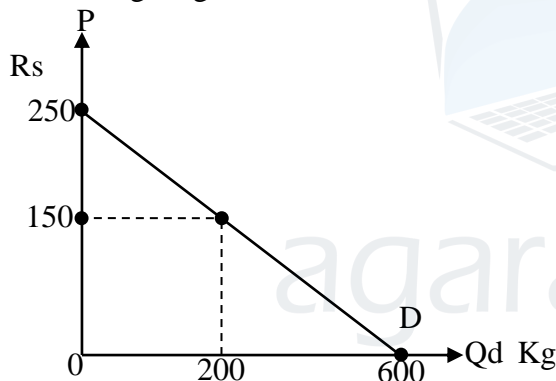
03. Which point shows zero output gap in the following diagram.

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



04. Which of the following is a feature of command economic system?
1. Private ownership of property except labour
 2. Public ownership of property including labour
 3. Decisions are taken by the centrally planned authority based on determination of price in factor market and good and services market
 4. Main economic agents mention about social benefit than private benefit
 5. Business firm of this system is profit motive
05. When price of inferior good decline it's quantity demand will increase other factor remains constant. The reason for that
1. Income effect is positive due to the increase in real income
 2. Substitution effect is positive due to increase in relative price
 3. Large increase in quantity demanded due to the decline in relative price than less increase in quantity demanded due to the increase in real income .
 4. Income effect and substitution effect will be positive
 5. Increasing quantity demand due to the increase in real income decreasing quantity demanded due to the declining relative price

06. The following diagram shows the demand curve of samba rice



When the consumer purchases 200kg of rice what is value of consumer expenditure and consumer surplus?

	Consumer expenditure	Consumer supply
1.	Rs 75000	Rs 10000
2.	Rs 30000	Rs 30000
3.	Rs 40000	Rs 30000
4.	Rs 80000	Rs 10000
5.	Rs 40000	Rs 10000

07. Which of the following is a reason for the left ward shift of supply curve?
1. Decrease in the price of related good
 2. Decrease in the price of inputs
 3. Development of technology
 4. Increase in numbers of suppliers
 5. Disruption of the supply chain of the a relevant commodity

08. suppose a rise in the price of wheat flour per kg from Rs 180 to 200 cause a decrease in quantity demand from 20 to 15 kilograms. The price elasticity of demand?

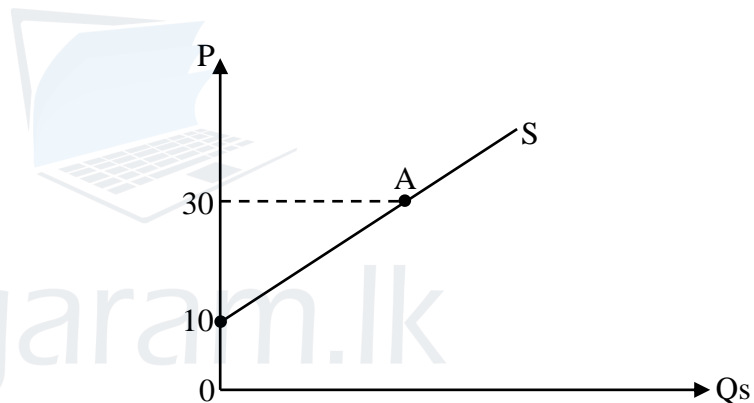
1. -3.33 2. -2.71 3. -0.27 4. -1.46 5. -1.0

09. Income elasticity of demand of smart phone is 4.5 which of the following statement is true about this?

1. When other things remains constant, the quantity demanded will increase by 9% due to the increase in price by 20%
2. It is necessity good for household
3. When consumer income increases by 50% it's demand will increase by 225%
4. When price of land phone increases by 20% it's demand increase by 50%
5. when electricity bill increases by 30% it's demand decrease by 120%

10. The supply curve of X good is given below. What is the value of price elasticity of supply at point A

1. 3.0
2. 1.5
3. 4.5
4. 1.0
5. 0.5



11. The supply curve of a Y good is given below is $Q_s = -1000 + 5p$ consider that the producer produce 1000 units Y good regardless of marginal cost and he sells to consumer to Rs 200.00 What is the value of producer surplus

1. Rs 200000 2. Rs 300000 3. Rs 100000
4. Rs 100000 5. Rs 200000

12. In the competitive market for coconut in the first quarter of the market price of a coconut is Rs 70 and market quantity is 5000 units In the second quarter, market price of a coconut is Rs 50 and marked quantity is 5000 when will this situation be found?

	Demand for coconut	Supply for coconut
1.	Increase	Increase
2.	Decrease	Increase
3.	Increase	Decrease
4.	Decrease	Decrease
5.	Increase	Decrease no change

13. The table shows the market demand schedule and the supply schedule for a good before and after the imposition of a specific (per unit) tax on an essential commodity

Price (Rs.)	Quantity demanded	Quantity supplied before tax	Quantity supplied after tax
12	50	20	0
13	50	30	10
14	50	40	20
15	50	50	30
16	50	60	40

According to the above table which statement is correct ?

- Tax burden of consumer is Rs. 50 and tax burden of producer is Rs. 50
 - Higher tax burden is burned by producer than consumer.
 - Tax burden of consumer is Rs 100
 - Tax burden of consumer os Rs 400 and tax burden of producer is Rs. 100.
 - Tax burden of producer is Rs. 100
14. The demand and supply equation of a X good are given below
 $Q_d = 600 - 10p$
 $Q_s = -200 + 10p$
 consider that the government provide a unit subsidy as Rs. 20 what is the amount of producer surplus after subsidy?
- Rs.7500
 - Rs. 6000
 - Rs.10000
 - Rs. 4500
 - Rs.45000
15. Which of the following may be true when the government eliminate maximum control price which is determined on the necessity good?
- Quantity demanded of that good will increase
 - Excess demand of that good will increase
 - Producer surplus of that good will increase
 - Consumer expenditure of that good will increase
 - Quantity supplied of that good will decrease
16. The demand and supply equation of a perfectly competitive market are given below.
 $(Q_D) = 60 - 2P$ $(Q_S) = -20 + 3P$
 Consider that the government impose a minimum control price as Rs. 20 It will lead to,
- Excess supply is equal to 20 units
 - Excess supply is equal to 28 units
 - Excess demand is equal to 28 units
 - Excess demand is equal to 20 units
 - no effect in marked
17. The demand and supply equation of X good are given below
 $Q_{dx} = 500 - 10P_x$ $Q_{sx} = -100 + 10P_x$
 Consider that the government imposes a guaranteed price as Rs. 50 for producer benefit. If the government provide deficiency payment system with guaranteed price what is the value of dead weight loss?
- Rs 16000
 - Rs 20000
 - Rs 1600
 - Rs 4000
 - Rs. 40000

18. The demand and supply equation of good is given below $Q_d = 100 - 5P$ $Q_s = -20 + 5P$ The government imposes minimum control price as Rs. 15. If the government purchases excess supply what is the value of dead weight loss ?
1. Rs. 45
 2. Rs 75
 3. Rs 82
 4. Rs 450
 5. Rs 302.5
19. Although harvest of banana decline due to the unweather condition, Banana producer's income will increase.
Which of the following factor is a reason for this?
1. Price elasticity demand of banana is elastic demand
 2. price elasticity demand of banana is equal to one
 3. price elasticity of supply is elastic supply
 4. Price elasticity of supply is inelastic supply
 5. price elasticity of demand is perfectly
20. When a company is operating in the short run.
1. It's total cost is equal to total variable cost.
 2. average fixed cost will increase due to the increase in output
 3. Fixed factor can not be varied
 4. Variable cost can not be varied
 5. Total cost is higher than the total revenue
21. Consider that the firm A is engaged in the production of cloth in short run when that firm hired 100 workers, overall product and marginal product will be 50 units.
1. Total product will be maximum
 2. Marginal product will be maximum
 3. Average product will be declining
 4. Average variable cost and marginal cost will be equal
 5. marginal cost will be higher than the average variable cost
22. The short run production firm's costs are given below
- A – Property tax
 - B – Insurance installments
 - C – Employed wage per day
 - D – Commission fees
 - E – Raw material purchases
 - F – wages for managers and directors who work on contract basis
 - G – Transport costs per day
 - H – Interest for capital
- Exactly what is included in the variable costs of the firm among the above?
1. A, B, D, G
 2. B, C, D, E
 3. C, D, E, G
 4. B, C, E, G
 5. A, B, F, H

23. When a firm increases its all output from 60 units to 72 units, output level increased from 500 units to 550 units what is expressed by this?

1. Law of diminishing marginal returns function
2. Increasing returns to scale functions
3. It has economies scale.
4. Constant returns to scale.
5. dis economies of scale functions

24. Which of the following is feature of perfectly competitive firm?

1. A few numbers of firms
2. Product differentiation goods are produced
3. Consumers and producer gets informants without cost
4. Special goods are produced
5. The industry faces infinitive demand curve

25. Which of the following is an example for oligopoly market

1. Sri Lanka electricity board
2. Retail business of petrol.
3. Retail business of samba rice
4. private tuition center
5. whole sale business of pumpkin.

26. The perfectly competitive firm A produces 400 units of output at Rs 40 Economic profit of this firm is Rs. 2000 total fixed cost of this firm is Rs. 4000. What is the value of average variable cost and average total cost?

	Average variable cost	Average total cost
1.	Rs. 25	Rs 35
2.	Rs 25	Rs 40
3.	Rs 40	Rs 25
4.	Rs 10	Rs 40
5.	Rs 25	Rs 15

27. The following information s are related to perfectly competitive firm

Price	out put	total variable cost
20	50	5000
20	100	5500
20	150	6500
20	200	8000
20	250	10000

what is the profit maximization / minimizing loss output of this firm? .

1. 50 units
2. 100 units
3. 150 units
4. 200 units
5. 250 units

28. The function of house hold is in the circulation model for income without government section and international trade
1. Receiving income from purchasers of final goods
 2. Receiving income by selling resources in goods market
 3. Payment to business firm for using it's resources
 4. Receiving income from producers for using their resources
 5. Payment to produces for using saving
29. Which of the following is related to economic depression?
1. General price level will increase due to the increase in aggregate demand
 2. There are excess production capacity in industries
 3. There are high level of unemployment and high level of whole sale and retail business activities.
 4. There are high level of positive output gab
 5. There are high level of government tax revenue and low level of government total expenditure .
30. Which type of organizational unit will include garment factory of country?
1. The financial corporation sector
 2. The government sector
 3. The non – profit institutions serving
 4. The non – profit institutions serving household sector
 5. The non – financial corporation sector
31. Which of the following is not included in the final consumption expenditure ?
- 1) A family purchases new cloths of Rs. 50000
 - 2) Government pays salary to government officers.
 - 3) A family expenses Rs. 30000 per month for need for food.
 - 4) A family setup a new house in Rs. 10 million
 - 5) A family purchases a new car in Rs.5 million for transportation.
32. Consumption equation of economy is given below $C=400+0.8y_d$ which of the following is truth statement
1. Average propensity to consume is equal to marginal propensity to consume in all disposable income.
 2. When disposable income increase, marginal propensity to consume will decline
 3. When disposable income is Rs. 5000 million average propensity to consume is equal to marginal propensity to consume.
 4. When disposable income increases to from Rs. 5000 million to Rs. 8000 million average propensity to consume will decline.
 5. When disposable income increases from Rs. 8000 million to Rs. 10000 million average propensity to consume and marginal propensity to consume will decrease

33. When income level increases from Rs. 5000 to Rs. 10000, Consumption expenditure will increase from Rs. 7000 to Rs. 11000 What is the value of income multiplier
1. 0.8
 2. 4.0
 3. 2.5
 4. 5.0
 5. 1.25
34. Consider that the saving equation is $S = -100 + 0.2Y$ and equilibrium level of income is Rs. 2000 billion in closed economy without government sector what is the value of investment level of this economy ?
1. Rs 100 Billion
 2. Rs 200 Billion
 3. Rs 300 Billion
 4. Rs 400 Billion
 5. Rs 500 Billion
35. The following information are related to about an economy without foreign sector consumption $C = 200 + 0.8y_d$, $I = 300$, $G = 200$, $T = 50$
What is the value of equilibrium level of income of this economy?
1. 300
 2. 3300
 3. 3500
 4. 3200
 5. 6000
36. Which of the following is incorrect in relation to multiplier?
1. Government expenditure multiplier > tax multiplier > Balanced budget multiplier
 2. Government expenditure multiplier + tax multiplier = Balanced budget multiplier
 3. Government expenditure multiplier = Investment multiplier > tax multiplier
 4. Balanced budget < tax multiplier > government expenditure multiplier
 5. Balanced budget – tax multiplier = government expenditure multiplier
37. The following information are related to a hypothetical government purchases $(G) = \text{Rs } 500$ Billion
Tax $(T) = \text{Rs } 200$ Billion
Private saving $ES = \text{RS } 250$ Billion
Private investment $(I) = 300$ Billion
What is the value of net exports of this economy
1. Rs 300 Billion
 2. Rs 350 Billion
 3. Rs -450 Billion
 4. Rs. 800 Billion
 5. Rs 350 Billion
38. National income data of an economy are given below
Equilibrium lever of income Rs. 6000 Billion $MPC = 0.8$
Full employment level of income Rs 7500 Billion which of the following policy decision will to achieve full employment level
1. Reducing tax by Rs. 200 billion
 2. Increasing government expenditure by Rs 1500 billion
 3. Increasing government expenditure by 375 billion
 4. Reducing tax by Rs. 300 billion
 5. Reducing tax by Rs. 375 billion

39. Identify the nature of barter economy

1. Goods does not exchange directly with good
2. Money is functioned as store of value and it is not functioned as a medium of exchange
3. The needs of both parties in the transaction must be compatible
4. Due to the lack of paper money, most precious metals such as gold and silver are used as barter system
5. There are not spend a lot of time during the transaction

40. The some instruments which are used for transactions activities are given below

- A. Notes and coins
- B. Demand deposits
- C. saving deposits held by licensed commercial bank
- D. treasury bill
- E. Credit cards
- F. time deposits held by financial co.

Identify the near money in the above

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

41. The information of money supply of Sri Lanka are given below

Item	Value (in Billion Rupee)
• Currency held by public	550
• Demand deposits held by public with commercial bank	350
• Consolidated foreign currency deposits	600
• Currency held by commercial bank	400
• Time and saving deposits held public with commercial bank	4000

According to the above table, which of the following is correctly described currency outstanding and narrow money supply?

1. Rs. 900 Billion and Rs. 900 Billion
2. Rs. 4550 Billion and Rs. 1300 Billion
3. Rs. 1000 Billion and Rs. 4000 Billion
4. Rs. 950 Billion and 900 Billion
5. Rs.1300 Billion and 550 Billion

42. Which of the following is caused to increase reserve money?
1. Declining the amount of currency held by public
 2. Declining the amount of currency held by commercial bank
 3. Increasing loan which are provided to commercial bank
 4. Declining loan which are provided to the government by central bank
 5. Declining deposits of commercial bank with central bank

43. When inflation is found
1. Prices will decline in economy
 2. Value of money will decline
 3. Increase in domestic currency value in terms of foreign exchange value
 4. Goods and services which is fulfilled basic needs change cheaply
 5. Real interest rate will increase

44. The table shows indicators of a country's economic performance over a two year period?.

year	money supply (M)	Velocity of money (V)	price level (P)	real GDP (T)
1	150	20	15	200
2	200	20	?	200

What is price level index for the year 2?

1. 20 2. 200 3. 50 4. 100 5. 40

45. Which of the following is a final target of monetary policy which is maintained by central bank of Sri Lanka?
1. Eliminating disparity of income distribution
 2. maintaining price stability
 3. maintaining financial stability
 4. maintaining internal and external balance
 5. Maintaining economic and price stability
46. Due to the central bank sells governments securities in open market.
1. Increasing bank's reserves and expanding base money
 2. Decreasing bank's reserves and contracting base money
 3. Increasing bank's reserves and contracting base money
 4. Decreasing bank's reserves and expanding base money
 5. If bank which have excess reserves bank reserves will decline but money supply will increase .

47. In a commercial bank there are found the following information

- Demand deposits Rs. 50000
- Reserves Rs. 8000
- Loans Rs. 42000
- Required reserve requirement 0.1 If a customer deposits Rs. 10000 new deposits required reserve and excess reserve will increase by

	Required reserve	Excess reserve
1.	Rs. 10000	Rs. 10000
2.	Rs. 10000	Rs. 9000
3.	Rs. 6000	Rs. 9000
4.	Rs. 5000	Rs. 10000
5.	Rs. 1000	Rs. 9000

48. Which of the following effect is caused for market failure?

1. Merit good are produced for marginal social benefit
2. Producers engaged in production activities considering the externalities
3. Resource allocation for production and consumption are occurred under perfectly competitive activities
4. Public goods are produced for the amount of society wants.
5. Resource allocation are occurred for production and consumption under activities of imperfect competitive market

49. A – Road signal B – Pleasure beach
 C – knowledge formation D - Highways
 E – Motor car F – Weather forecasts

Which of the above is a correct statement that includes public goods.

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

50 Which of the following are the sources of tax revenue of Sri Lanka in the year of 2020

1. Production tax, income tax and VAT
2. VAT, turnover tax and economy services charges
3. Income tax, VAT and stamp duty
4. VAT, income tax and production tax
5. VAT, port and Airport charges and economic service charges.



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பொருளியல் II
Economics II

**Three Hours and
ten minutes**

21

E

II

Gr -13 (2022)

Part - II

Instructions :- Answer five 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. Consider that the by product are produced in natural method on that land by deforestation in 100 acres of forest in one of the dry zone areas of Sri Lanka.
Consider that the amount of production is found to be less in line with the increased food needs of the people as the activities in the natural forest interfere with that production. Answer the following questions based on the above case .
- a) Distinguish between scarcity and shortage (2 Marks)
- b) What kind of economic resources are considered “wild animals”? (2 Marks)
- c) What kind of goods are considered by product? what are the features of that? (5 Marks)
- ii. Distinguish between free market economy? (4 Marks)
- iii. What are the factors that shift production possibility curve? Explain it with a diagram. (06 marks)

02.

- i. Money income of Anton’s family is Rs 50000. That family expenses Rs. 5000 their income for country rice and samba rice. The prices of country rice and samba rice per kg are respectively Rs. 100 and Rs. 150. The quantity demanded of that rice s per month are 20 kilograms. Consider that when price of country rice only increases by Rs 200 the quantity demanded increase by Rs. 8kg per month.
- a. Explain the reasons that when price of country rice increases it’s quantity demanded decreases (4 Marks)
- b. Whether country rice is normal good / inferior good (4 Marks)
- ii. Supply of paddy declined in paddy market of Sri Lanka due to the affect of natural factors what are the other 4 factors affect the supply of paddy. (4 Marks)
- iii. Distinguish between point elasticity and arc elasticity (4 Marks)
- iv. Although Demand declined in milk powder market of Sri Lanka, the price of milk powder has more than doubled Explain this situation by using appropriate diagram. (4 Marks)

03.

- i. What is meant by consumer surplus? In which situation, consumer surplus is zero? Explain by using diagram (4 Marks)
- ii. Explain the dead weight loss by using diagram when the government provide subsidies to producers who involved in the dairy industry . (4 marks)
- iii. Explain the two situations which are not affect resource allocation efficiency when the government imposes tax on producer (4 marks)
- iv. The demand and supply equation of a x good are given below.
- $$Q_d = 600 - P \qquad Q_s = -300 + 4P$$
- Consider that the government imposes a minimum control price as Rs. 250 in that price.
- What is the value of consumer surplus (1 Marks)
 - What is the value of producer surplus (1 Marks)
 - What is the value of social welfare loss (1 Marks)
- v. Why does farmer's income increase although supply of agricultural goods decline? Explain this statement by using diagram? (4 Marks)

04.

- i. What is meant by law of diminishing marginal returns? How is affect costs of firm? Explain. (4 Marks)
- ii. When output of firm of A is one unit, marginal cost and total fixed cost are respectively Rs. 60 and 120 when out put is five units, total variable cost is Rs. 110 Calculate the following cost for the 5th unit of out put.
- Average total cast (2 Marks)
 - Marginal cost (1 Marks)
 - Average fixed cost (1 Marks)
- iii. Distinguish between perfectly competitive market and monopolistic competition (4 Marks)
- iv. A perfectly complete firm sells 400 units of X good at price Rs. 50 total cost of this firm is Rs. 25000 when output of this firm is zero, total cost will be Rs. 6000. Will this firm supply X good continuously? Explain (4 Marks)
- v) When elasticity of supply of factors of production change from elastic to inelastic, Explain this statement by using a diagram? (4 Marks)

05.

- i. Mention the five types of organizational units operating in the economic area and give each example for each of them (5 Marks)
- ii. Distinguish between basic price and purchaser's price which are used in national accounting? (4 Marks)

iii. What are the items are deducted from gross national income to get personal household income ?

(4 Marks)

iii. National income data of country are given below

Items	M Rs
• Personal consumption	8000
• Public consumption	7000
• Gross domestic capital formation	4000
• Change in stock	200
• Exports of goods	-2200
• Imports of goods	6700
• Net indirect tax	600
• Net primary income from rest of the world	- 400
• Net private current transfers from rest of world	600

Calculate the following

a. Gross domestic product at market price.

(2 Marks)

b. Gross domestic saving

(2 Marks)

c. Foreign net investment

(2 Marks)

06.

i. Explain macro economic equilibrium of open economy by a diagram

(4 Marks)

ii. Explain the government expenditure multiplier, tax multiplier and balanced budget multiplier.

(6 Marks)

iii. Macro economic data of a hypothetical economy are given below

Gross national income (Y) = Rs 8000 Billion

Disposable national income (Y_d) = Rs 7400 Billion

Personal consumption (C) = Rs.7100 Billion

Government budget deficit (B_D) = Rs. 200 Billion

Government current transfers (T_r) = Rs.50 Billion

Trade balance (TB) = -300 Billion

Calculate the following

a) Government tax revenue (T)

b) Private investment (I)

(4 Marks)

iv. Output gap will be positive or negative when there are generated inflationary gap?

(6 Marks)

07.

i. Money is formed by the disadvantages of better economic system. Explain this statement

(4 Marks)

- ii. Distinguish between narrow money supply (M) and consolidated broad money supply (M_{2b}) (4 Marks)
- iii. What is high powered money supply. How is formed high powered money supply by central bank of Sri Lanka Explain briefly. (4 Marks)
- iv. What are the factors are determined money supply of an economy. (4 Marks)
- v. Why does there closed relationship between growth of amount of money and inflation Explain it by using exchange equation of money (fisher's equation) (04 Marks)

08. i. Give basic functions of central bank of Sri Lanka. (6 Marks)
- ii. Consider the central bank of Sri Lanka desire to reduce money supply what are the instruments used to reduce money supply by the central bank of sir Lanka Explain that how is used to achieve it's objective? (4 Marks)
- iii. What are objectives of commercial bank? How to used assets of commercial bank to achieve this objectives? Explain briefly. (5 Marks)
- iv. Explain credit creation of commercial bank by simple example (5 Marks)

- 09.
- i. What are the role of the government in market economy (4 Marks)
- ii. What is meant by market failure? what are the reasons for the market failure? (4 Marks)
- iii. What is pure public goof? why does marked economy not provide public good? (4 Marks)
- iv. What is meant by positive consumption externalities ? When a person engaged in positive externalities consumption activities, there are in efficiencies in resource allocation Explain it by the correct diagram (4 Marks)
- v. Explain the following
- a. Optimum production (2 Marks)
- b. Government failure (02 Marks)

10. i. Distinguish between government recurrent expenditure and capital expenditure (6 Marks)
- ii. Explain the structure of recurrent expenditure of Sri Lank in the year of 2020 (4 Marks)
- iii. Define the term of direct tax and indirect tax with two example. (6 Marks)
- iv. What are the features of a good tax and explain two features. (4 Marks)