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Gampaha Education Zone

දෙවන වාර ඇගයීම -2025
Second Term Evaluation - 2025
இரண்டாம் தவணைப் பரீட்சை - 2025

ශ්‍රේණිය
Grade

13

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Subject

Economics I

කාලය
Time

2 hours

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Name

- Select the correct or most appropriate answer.

01. Select the correct statement from the following statements

- (1) The economy as a whole, its structure, behavior, and performance are all handled through microeconomics.
- (2) Macroeconomics is the study of the various units within an economic system separately.
- (3) Microeconomics studies aggregate consumption, investment, imports, and exports.
- (4) Production frontier curves are used only to explain topics related to microeconomics.
- (5) The overall functioning of the economy is studied by macroeconomics, while individual sectors are studied by microeconomics.

02. Identify the statement which you can agree as an Economics student.

- (1) The text books provided freely to students are not economic goods
- (2) Durin draught, the rain water becomes a scarce good and therefore it is an economic good.
- (3) The goods which are essential for human beings are called economic goods
- (4) Water suitable to drink is an economic good for the city dwellers
- (5) All the goods which are provided freely are not economic goods

03. Which of the following goods and services that are provided free of charge is subject to a temporary fee?

- (1) A waterfall that has become a tourist attraction
- (2) Sunlight used for drying clothes
- (3) Mahapola scholarships available to students
- (4) Southwest monsoon rains
- (5) Atmospheric humidity

04. The issue of income distribution is meant as;

- 1) How to allocate resources for the future
- 2) Who is it being produced for
- 3) How to produce
- 4) How much to produce
- 5) What good is to be produced

05. What is meant by increasing the productivity of resources?

- (1) Increasing the output at a higher rate than increasing the inputs
- (2) The decrease in inputs to produce a certain quatintity of goods
- (3) Increasing in the output when the inputs are constant
- (4) Decreasing in the output at a rate less than the decreasing in inputs
- (5) All of the above

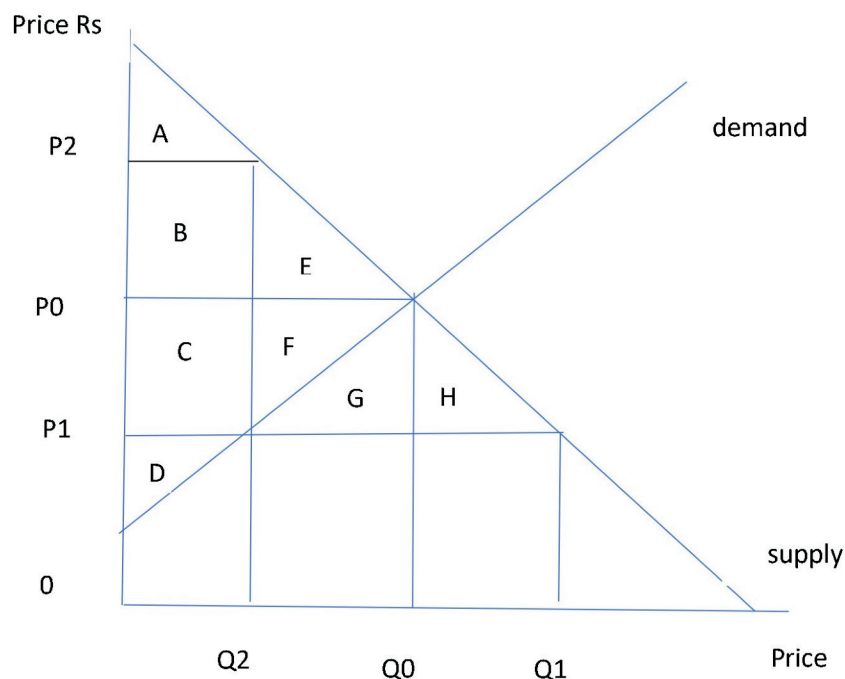
06. Not a reason for a change in the private demand
 (1) A change in the price of substitutes
 (2) Change in the price of the concerned good
 (3) Change in the price of the complementary goods
 (4) Change in the consumer preference
 (5) Change in the expectations of the future prices
07. The quantity demand increased in 100 units under substitution effect and decreased in 50 units under income effect when the price of a concerned good decreased. This good is;
 (1) A normal good
 (2) A Giffen good
 (3) An inferior good
 (4) A substitute good
 (5) A complementary good
08. The demand curve for mangoes takes the shape of rectangular hyperbola. When the price of a mango is Rs. 20/- the quantity sold was 1000. What is the price the seller if the seller wants to sell 1250 mangoes?
 (1) Rs. 16 (2) Rs. 20 (3) Rs. 24
 (iv) Rs. 28 (v) Rs. 32
09. If the cross-price elasticity of good X is 3, the statement which explains it most accurately is that the relevant good is;
 (1) A normal good
 (2) An inferior good
 (3) A luxurious good
 (4) A complementary good
 (5) A substitute good
10. In a certain city, if the Income elasticity of demand is -1.5 and if the income of the people in that city increased,
 (1) The quantity demand will increase
 (2) Result in decrease in the quantity
 (3) Result in shifting the demand curve to the right
 (4) Result in shifting the demand curve to the left
 (5) The supply will expand
11. The supply curve for banana is $Q_S = -300 + 10P$
 The elasticity of supply of 1 kg of banana in the price range between Rs. 50 to Rs.100 is,
 (1) 1.25 2) 1.5 3) 1.85 4) 2 5) 1.66
12. In a market at equilibrium, the price elasticity of demand and price elasticity of supply are -0.5 and 1.2 respectively. Without any changes to the equilibrium if the price elasticity of demand and price elasticity of supply changed to -1.5 and 0.8 respectively, in this market;

- (1) Consumer surplus increases and the producer surplus decrease
- (2) Consumer surplus decrease and the producer surplus increase
- (3) Both the producer surplus and the consumer surplus increase
- (4) Only the consumer surplus increases
- (5) Only the producer surplus increase

13 In a competitive market, fish is sold 5000 kg at price Rs. 1000/-. After a year , if 8000 kg fish was sold without any changes to the price, the reason would be;

- (1) The government provides subsidies at 10% to both the fishermen and consumers
- (2) Moving down the demand curve
- (3) Moving up the supply curve
- (4) The preference for fish consumption increases
- (5) Both the meat price and the fuel price increase

14 The following diagram illustrates a competitive market for a certain consumer good. The difference between P_1 and P_2 denotes the value of the special tax.



The situation after the profit is ;

	Consumer surplus	Producer surplus	Excess tax burden	Government tax income
(1)	A	D	EF	BC
(2)	AB	CD	GH	BCEF
(3)	ABE	CDF	EF	BC
(4)	AE	CDF	GH	GH
(5)	ABC	BCD	BCEP	GH

- 15 If producer surplus and consumer surplus are increasing due to government intervention in a competitive market, the reason would be;

- (1) Charging a special tax
- (2) Providing a special subsidy
- (3) Imposing a production quotation
- (4) Implementing the maximum price policy
- (5) Purchasing the excess supply at the guaranteed price

- 16 Following are elasticities of demand and elasticities of supply of 5 agricultural goods. Select the market which the price instability is most visible .

	Market	Price Elasticity of Demand	Price Elasticity of Supply
(1)	1	-2	1
(2)	2	-1	1
(3)	3	-3	5
(4)	4	-0.1	0.2
(5)	5	-0.8	1

- 17 The following table shows the total cost of a certain production firm at different production levels in the short run.

Quantity Produced	Total Cost (Rs.)
0	200
1	250
2	270
3	285
4	290
5	300

According to the above information, what is the average variable cost in the production level 5

- 1) Rs 60 2) Rs. 20 3) Rs. 40 4) Rs. 100 5) Rs 10

- 18 To increase the output in the short run what cost should be reduced constantly,

- (1) Average total cost
- (2) Average variable cost
- (3) Total variable cost
- (4) Marginal cost
- (5) Average fixed cost

- 19 A situation experienced by a production firm facing economies of scale is,

- (1) Increase in the long-run average cost
- (2) Increase in the short run average variable cost
- (3) Long run average cost is fixed for any change in the output
- (4) Decrease in the long run average total cost
- (5) Output increases at a lower rate than the increase in inputs

20 What is not a feature of Perfectly competitive market?

- (1) No barriers to enter for new firms
- (2) Firms produce homogenous goods
- (3) Market information can be fully accessed
- (4) The demand curve is perfectly elastic
- (5) Normal profit is earned in the long run

21 A perfectly competitive firm earns economic losses in the short run , when;

- (1) The price is more than the average total cost
- (2) Price equals the marginal cost
- (3) Price is less than the average total cost
- (4) Marginal revenue equals to average cost
- (5) Marginal revenue equals average fixed cost

22 An item considered when calculating the Gross Domestic Product is,

- (1) Expenses to purchase a second-hand mobile phone
- (2) Buying and selling company shares
- (3) Transfer expenses of the government
- (4) Producer consuming the output of Chena cultivation
- (5) Household activities done by a house wife

23. What is considered under Consumer expenditure (C) when calculating Gross Domestic Product?

- (1) Buying 500 shares of a company
- (2) Constructing a house for the purpose of live in
- (3) Government constructing a 10km part of Express way
- (4) Purchase 100 m cloth for producing garments
- (5) Individual purchasing a motor vehicle for his personal use

24. What is not included in calculating Gross Domestic Income under Income method?

- (1) Mixed income
- (2) Employee income
- (3) Subsidies deducted from tax on production
- (4) Fixed capital consumption
- (5) Employer contribution to Employee Provident Fund

25. What level in the business cycle consist of a negative output gap ?

- 1) Decline 2) Trough 3) Expansion 4) Peak 5) Growth

26 An increase in the aggregate demand can occur in an economy due to decrease in ;

- (1) Consumption expenditure
- (2) Government purchases
- (3) Investment expenditure
- (4) Export expenditure
- (5) Import expenditure

27 The Gross Domestic Product of Sri Lanka at the market price in 2023 is, US dollar;

- 1) 100 billion 2) 90 billion 3) 84 billion 4) 80 billion 5) 150 billion

- 28 Select the answer which the elements of Aggregate Demand is shown correctly.
- (1) Consumer expenditure (C), Savings (S), Investment (I) and Government expenditure (G)
 - (2) Consumer expenditure (C), Government expenditure (G), Investment (I) and Net Export (G)
 - (3) Government expenditure (G), Imports (M), Investment (I), and Government expenditure (G)
 - (4) Consumer expenditure (C), Investment (I), Government expenditure (G) and Exports (X)
 - (5) Consumer expenditure (C), Transfer (Tr), Tax (Tx) and Net Exports (X-M)
- 29 The consumption expenditure of a simple economy is $C = 200 + 0.8Y$. If the equilibrium national income is Rs. 5000 million, what is the value of investment at this stage?
- (1) Rs. 1000 million
 - (2) Rs. 4200 million
 - (3) Rs. 3000 million
 - (4) Rs. 800 million
 - (5) Rs. 5000 million
- 30 If the equilibrium national income increased from Rs. 2000 million to Rs. 2600 million as a result of an increase of Investment by Rs. 120 million, it shows that;
- (1) Demand for investment has increased by Rs. 600 million
 - (2) The government purchases has increased by Rs. 400 million
 - (3) The Propensity to consume is 80%
 - (4) The propensity to save is 40%
 - (5) The total consumption has increased by Rs. 20%
- 31 In an economy where the propensity to save is 0.4, the production level is Rs. 4000 billion and the full employment is Rs. 5500 billion. To achieve full employment
- (1) The government purchases should increase by Rs. 8000 billion
 - (2) To increase the Expenditure of the economy by Rs. 1500 billion
 - (3) To increase the private consumption expenditure by Rs. 500 billion
 - (4) To reduce direct tax by Rs. 1500 billion.
 - (5) To reduce direct tax by Rs. 1000 billion
32. The factor which affects to increase the demand for money on transaction motive is ,
- (1) The interest rate in the call money market increases
 - (2) 70% of the weekly wage recipients becoming monthly salary recipients
 - (3) Real income and nominal income decrease simultaneously.
 - (4) Nominal income decreases while the price level is decreasing
 - (5) Expectation that the inflationary rate decreases
- 33 If the money supply of a hypothetical economy is Rs. 5 trillion, and the money velocity is 4, the nominal Gross Domestic Product of that economy is,
- (1) 9
 - (2) 1
 - (3) 1.25
 - (4) 20
 - (5) 0.8
34. It was decided to decrease the Statutory Reserve Ratio imposed by the Central Bank of Sri Lanka on deposits in the commercial bank due to the present economic crisis. Accordingly, what is the Statutory Reserve Ratio at present?
- (1) 10%
 - (2) 2%
 - (3) 6%
 - (4) 5%
 - (5) 4%

35. Assume that the 'X' Commercial bank has granted a loan to a customer to purchase a motor vehicle. The customer purchased the vehicle by handing the cheque received to his friend who deposited it in his 'Y' bank's account. The result is ;

	Money reserves	Deposits
(1)	Increases	Increases
(2)	Increases	No change
(3)	Increases	No change
(4)	No change	No change
(5)	decreases	No change

36. What is the effect on the base money supply and the money supply when the commercial banks issue loans using their deposits

	Base money	Money supply
(1)	Increases	Increases
(2)	Decreases	No change
(3)	NO change	Increases
(4)	decreases	Increases
(5)	No change	No change

37. The operational target of the current monetary policy of Central Bank of Sri Lanka is,

- (1) Reserve money
- (2) Open market currency
- (3) Statutory Reserve Ratio
- (4) The Central Bank interest rate
- (5) Weighted average call money market rate

38. When the statutory reserve ratio is 15% , the reserve deposit needed is Rs. 300. What is the value of the new deposit accepted by the Commercial Bank?

- (1) Rs. 1000 (2) Rs. 2000 (3) Rs. 3000 (4) Rs. 4000 (5) Rs. 5000

39. A primary source which implies a market failure is;

- (1) Concern on the externalities
- (2) Competitive market situation
- (3) Factor mobility
- (4) Intervention of the government to reduce the distribution of income
- (5) Short term instabilities due to economic fluctuations

40. Select the correct answer which shows public goods, Quasi public goods and Public resources accurately.

	Public goods	Quasi-public goods	Public resources
(1)	Art galleries	Light houses	Sun set
(2)	Television Signals	Express ways	Underground water resource
(3)	Grass lands	National security	Clean air
(4)	Street lights	Environment protection	Fishery resource
(5)	Forestry	Cinema	Air resources

41. The private cost of chemical fertilizer was Rs. 70 billion while the private benefit was RS. 85 billion. The external cost and the external benefits were Rs. 30 billion and Rs.10 billion respectively. Accordingly ,
- (1) An excess production occurs in the market economy
 - (2) More social benefit than social cost
 - (3) The economic surplus is Rs. 55 billion
 - (4) Under consumption in the market economy
 - (5) Private cost exceeds the social benefit
42. The most appropriate government monetary policy to increase the production in an economy which faces a critical decline is,
- (1) Reduce the interest rates
 - (2) Reduce the policy interest rate by the Central Bank
 - (3) Reduce the income tax
 - (4) Reduce government expenditure
 - (5) Central Bank selling securities in the open market
43. The element which highly contributed to the government income in 2024 is ,
- (1) Value added tax
 - (2) Income tax
 - (3) Production / Excise tax
 - (4) Fees and charges
 - (5) Rent and interest income
44. The income and the relevant income tax paid by an individual is shown in the following table;
- | Annual income (Rs.) | Income Tax (Rs.) |
|---------------------|------------------|
| 500,000 | 50,000 |
| 800,000 | 72,000 |
| 1,000,000 | 80,000 |
- The correct statement according to the above table is;
- | | Income tax | Justification |
|-----|---------------|---------------|
| (1) | Progressive | Secured |
| (2) | Regressive | Secured |
| (3) | Proportionate | Uncertain |
| (4) | Regressive | Not Secured |
| (5) | Progressive | Not Secured |
45. What is not a measurement when analysing the budget gap?
- (1) The balance in the current account
 - (2) The overall balance
 - (3) The balance in the primary account
 - (4) Net monetary gap
 - (5) The balance in the capital account
46. According to the following concepts related to the budget, the most accurate concept is,
- (1) Total government income = Tax revenue + Non tax income
 - (2) Primary expenditure = current expenditure + capital expenditure + interest payments
 - (3) Primary account balance = Total receipts – Current expenditure except interest payments
 - (4) Gross monetary requirements = Loan repayments – overall budget balance
 - (5) Current account balance = Total receipts – recurrent expenditure

47. The most debt relief provider to Sri Lanka in debt restructuring is,

- (1) The Official Creditor Committee (OCC)
- (2) EXIM Bank, China
- (3) Chinese Development Bank
- (4) Sovereign bond holders
- (5) Bilateral creditors who do not belong to the Paris Club

48. The maximum benefit obtained by USA and UK by using the same quantity of resources is as follows;

	USA	UK
Wheat	10	08
Cloth	20	10

Select the most appropriate answer according to the above table,

- (1) UK holds the absolute benefit of wheat production
- (2) UK holds the comparative advantage
- (3) on Cloth
- (4) UK holds the comparative advantage on Wheat
- (5) USA holds the comparative advantage on Wheat
- (6) USA holds the comparative advantage on Cloth

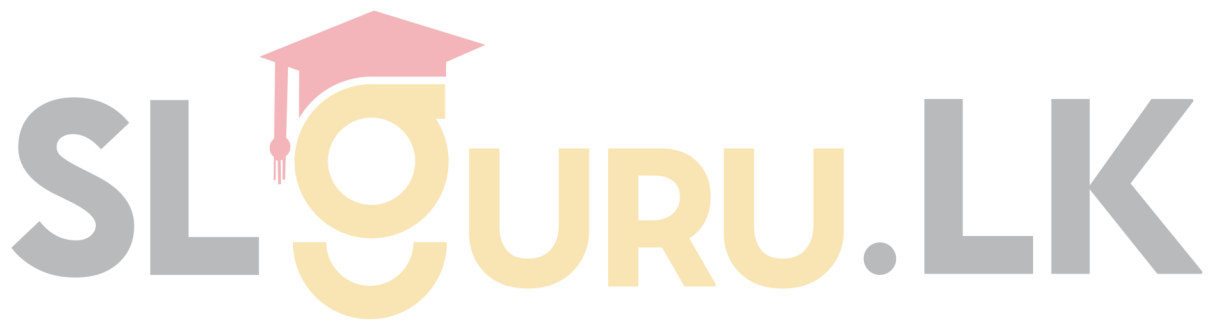
49. The price of an imported hand bag is Rs. 5000. If it is manufactured by using import materials it costs Rs. 4000. If tax is imposed both on the import materials and the import product at 10%. What is the effective protection rate is,

- (1) 5%
- (2) 10%
- (3) 15%
- (4) 20%
- (5) 25%

50. A main export and import destinations of Sri Lanka is,

- (1) USA and India
- (2) India and China
- (3) China and USA
- (4) China and Russia
- (5) Russia and UDA

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ශ්‍රේණිය Grade	13	විෂයය Subject	Economics II	කාලය Time	03 h
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Part A

- (01)
 - (i) Define economic resources and classify them. (4 marks)
 - (ii) Explain how sacrifice will arise due to scarcity. (4 marks)
 - (iii) Show production efficiency and allocative efficiency by a production possibility curve and mention the reasons for allocative efficiency. (5 marks)
 - (iv) What are the main functions of an entrepreneur. (4 marks)
 - (v) Name three criteria for classifying economic systems. (3 marks)
- (02)
 - (i) Define income effect that cause for the law of demand. Show how the income effect of a normal good and inferior good behave? (4 marks)
 - (ii) Classify the goods according to price elasticity of demand, cross price elasticity of demand and income elasticity of demand. (3 marks)
 - (iii) At the price of Rs. 200 quantity demand is 1000kg of potatoes. When the price of Rs. 100 quantity demand is 5000kg. Explain the price elasticity of demand for potatoes. (3 marks)
 - (iv) Explain the nature of supply elasticities of the following supply curves QS_1 , QS_2 and QS_3 . (3 marks)



- (v) The market is at the equilibrium when supply is elastic and demand is inelastic. Illustrate by a suitable diagram the consumer surplus and product surplus in that market. (3 marks)
- (vi) The demand and supply functions of a competitive fish market is $Q_d = 1000 - 5P$ and $Q_s = -200 + 5P$. After granting a subsidy to fisherman the supply function is $Q_s = 5P$. Calculate the equilibrium price and quantity before and after subsidy. (4 marks)
- (03) (i) If the demand and supply curves are linear, and if the market is at the equilibrium illustrate by a graph resource allocation is inefficient when government impose a tax. (4 marks)
- (ii) Explain by a suitable graph the benefit receive by consumer and produce when a subsidy was given in a market where demand is inelastic and supply is elastic. (4 marks)
- (iii) In a competitive market the demand function is $Q_d = 600 - 10P$. The supply function is $Q_s = 10P$. The government purchase the excess supply by imposing a certified price of Rs. 40.
- What is the cost of the government to purchase the excess supply. (3 marks)
 - What is the dead weight loss due to government purchase. (3 marks)
 - What is the loss of social welfare due to resource allocation inefficiency exist when imposing certified price. (3 marks)
- (iv) Mention the methods taken by the government to maintain the price stability of agricultural goods. (3 marks)
- (04) (i) "The profit calculated in accounting is greater than the profit calculated in economics of a certain production." Do you agree? Explain with reasons. (4 marks)
- (ii) Explain the differences between fixed and the variable cost in a garment industry. (4 marks)
- (iii) "If a perfect competitive firm incurring losses in short run, it is decided to shutdown the business." Do you agree with this statement. Explain. (4 marks)
- (iv) A person earned Rs. 200 000 monthly income current business. He has earned Rs. 120 000 monthly incomes from his earlier employment. There is a building rent per month is Rs. 30000, electricity bill is Rs. 5000 and the salary per worker is Rs. 45000 per month. Does the owner of the business receive economic profit? Explain with reason. (4 marks)
- (v) What are the differences between the features of monopolistic competitive market and oligopolistic market. (4 marks)
- (05) (i) Name the institutional units in a economic area and briefly explain the functions of those institutional units. (4 marks)
- (ii) Explain with reasons whether the following events include in gross domestic product or not? (4 marks)

- a) Distributing goods to household during election.
 - b) The government expenditure for the parliament election this year.
 - c) A person purchases an old motor vehicle for his personal use.
 - d) The government increase an increment of Rs. 3000 for pensioners.
- (iii) Define primary income that is use when calculating gross domestic product and name the components of primary income. (4 marks)
- (iv) The data of a hypothetical economy is given below.
- Autonomous consumption is Rs. million 400,
 - consumed 80 cents for every one rupee increase in disposable income.
 - Investment (i) Rs. M. 360
 - Government purchase (G) Rs. M. 200
 - Autonomus tax (T) Rs. M. 200
- A. What is the savings function of this economy.
- B. How much the equilibrium level of income of this economy. ($2 \times 2 = 4$ marks)
- C. Graphically present the equilibrium level of national income by an income expenditure graph. (2 marks)
- D. How much the individual consumption (C) at the equilibrium. (2 marks)

Part B

- (06) (i) What are the factors that restrict the store of value as a function of money? Explain. (4 marks)
- (ii) In order to increase in money supply high powered money need to increase. Do you agree? (4 marks)
- (iii) State two for each explain high earning liquid assests and profitable assests in the balance sheet of a commercial bank. (4 marks)
- (iv) State four policy methods use to control inflation. (4 marks)
- (v) The financial situation of a commercial bank in the banking system is given below. Consider statutory reserve ration is 20%. (4 marks)

Liabilities		Assests	
Deposits	200 000	Reserves	40 000
		Loan	160 000
	200 000		200 000

The central bank sold Rs. 10 000 worth securities for this commercial bank.

- a) State how the balance sheet of the bank change after this?
 - b) How the purchasing of securities by commercial banks affect to money supply. ($2 \times 2 = 4$ marks)
- (07) (i) How the inflation affect for the expected functions of money? (4 marks)
- (ii) "Monetary aggregate is covered by broad rage of assests and not by homogenous assest" What is mean by this statement. (4 marks)
- (iii) Explain the flexible inflationary target of current Sri lankan monetary policy framework. (4 marks)

- (iv) What are the assumption use by a commercial bank when creating money. (4 marks)
- (v) Explain the main objectives and central bank of Sri Lanka. (4 marks)
- (08) (i) Why the government intervention is needed in free market economy. (4 marks)
- (ii) The following hypothetical data is given regarding to a economy,

Government income	4000
Government expenditure	700
(According to economic classification)	
Recurrent expenditure	5000
Grants	100
Primary account balance	200
Repayment of loans	450
Domestic financing	1100
Net loans	50

Calculate the followings.

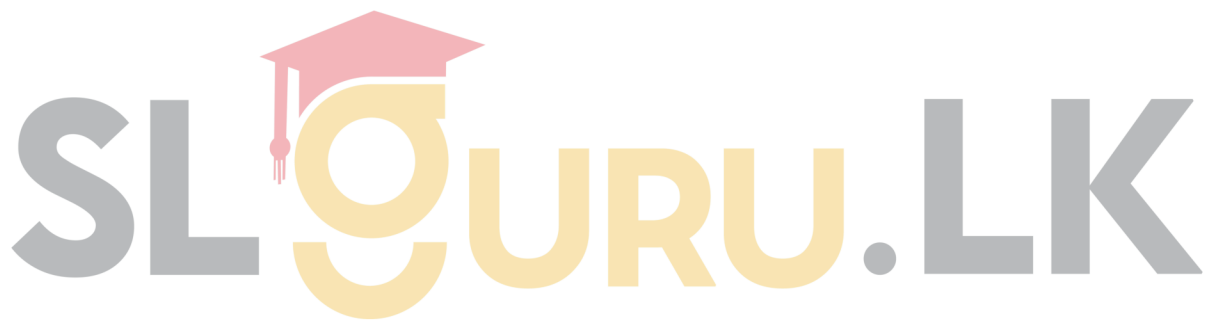
- A. Current account balance.
- B. Interest payment.
- C. Foreign financing to settle government budget deficit.
- D. Gross Financing need. (4 marks)
- (iii) “The primary account balance in the years of 2023 and 2024 is recorded as surplus.” Explain how it is important for the Sri Lankan economy. (4 marks)
- (iv) What is mean by government debt sustainability. Name 03 targets of the debt sustainability. (4 marks)
- (v) What are the methods planned by the government to achieve the targets of debt sustainability according to government 2025 – 2029 midterm financial frameworks. (4 marks)
- (09) (i) Explain by a graph over consumption situation in the market in the context of economic efficiency. (4 marks)
- (ii) Name 04 structural limitation of government finance? (4 marks)
- (iii) In past years the total budget deficit exceeds 6% of gross domestic product. What are the effects of a budget deficit? (4 marks)
- (iv) What is mean by public financial sustainability? What are the targets of public financial sustainability? (4 marks)
- (v) What are the debt consessory receive by Sri Lanka under government debt restructural programme. (4 marks)

(10) The output per day of labour producing wheat and clothes in two countries is given below.

Good	United States of America	India
Wheat	8	4
Cloth	4	3

- (i) According to the above table which country have absolute advantage? Explain briefly? (4 marks)
- (ii) Define comparative advantage and which country gain comparative advantages. (4 marks)
- (iii) What are the economic factors that help arise to international trade between countries. (4 marks)
- (iv) What are the advantage and disadvantages of trade Protectionism. (4 marks)
- (v) Explain gains of competitions. (4 marks)

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