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දෙවන වාර ඇගයීම - 2025
Second Term Evaluation

ශ්‍රේණිය Grade: 12	විෂයය Subject: ECONOMICS I	කාලය Time: 2 Hours

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Instructions

* Select the correct or most appropriate answers for the question number 1-50.

01. Which of the following statements is false?
    1. Economics studies the scarcity of resources and choice.
    2. Due to scarcity of resources every society should make a choice among alternative uses of resources.
    3. Choice occurs due to the lack of resources compared to the human wants and can be used for alternative uses.
    4. Due to the scarcity of resources there are more resources exceeding the alternative uses.
    5. The problem of scarcity cannot be solved until the existence of unlimited wants and limited resources.

02. Which of the following is a normative statement?
    1. The total population of Sri Lanka is about 21million.
    2. Poverty is a strong cause for increasing crimes.
    3. Its proved that the land slide caused by the environmental degradation.
    4. The administration should be changed to develop cricket in Sri Lanka.
    5. Smoking in Sri Lanka is more among uneducated people compared to the educated people.

03. Select the positive microeconomic statement from the given statements.
    1. There is a possibility to change the equilibrium price in the market when excess demand and excess supply are available.
    2. The emerging economies have achieved a growth of 4.1% during the year 2020.
    3. The poverty rate has increased in the country.
    4. The external value of the currency has declined as never before.
    5. The government has introduced a new tax act.

04. Which of the following is not an opportunity cost for studying in a private university?
    1. The expenses for buying textbooks.
    2. The course fees.
    3. Increasing the forgone earned income.
    4. The expenses made for taking medicine for an illness.
    5. The expenses made for purchasing stationary.

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05. An economic good is,

1. A good which has an opportunity cost in production.
2. A good which is not utilized resources in the production.
3. A good which is supplied competitively.
4. A good which is earning a profit.
5. A good which can be obtained at a zero price.

06. The economic system which has the public ownership of resources and centralized decision making is

1. Market economy.
2. Traditional economy.
3. Social market economy.
4. Centrally planned economy.
5. Capitalist economy.

07. The opportunity cost is zero when consuming a

1. Giffen good.
2. Bad good.
3. Economic good.
4. Free good.
5. A good which is produced by himself.

08. Which of the following is a factor of production?

1. The profit earned by the firm.
2. Bank deposits of the firm.
3. Productivity of labour.
4. Expenditure made on advertising and insurance.
5. Land owned and rented by the firm.

09. The most appropriate statement regarding efficient resource allocation is,

1. Distribution of resources to produce the socially preferable combinations of goods and services.
2. Distribution of resources to produce goods and services to minimize poverty.
3. Selecting the production technique by using more resources with a low cost and less resources with a higher cost.
4. Distribution of resources by minimizing the inequal income distribution.
5. Organizing the production to gain more output with a less input.

10. Which of the following resources is a renewable resource?

1. Natural resources.
2. Petroleum.
3. Animals.
4. Graphite.
5. Coal.

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11. If resources are not utilized efficiently in an economy due to an economic sanction, how it can be shown in a PPC?
    1. By a point located inside the boundary.
    2. By shifting the PPC to the left.
    3. By a point located outside the PPC.
    4. By shifting the PPC to the right.
    5. By a point located on the on the PPC.

12. Select the correct statement referring to the following table .

Production combinations	Rice (units)	Wheat (units)
A	0	10
B	2	9
C	4	7
D	6	4
E	8	0

    1. Opportunity cost decreases when the rice production increases.
    2. Opportunity cost decreases when the wheat production increases.
    3. The slope of the PPC is constant at every point.
    4. The PPC shows increasing opportunity cost.
    5. When production combinations are changing from B to C the marginal opportunity cost of rice is 2.

13. Which of the following is not a reason to shift the production possibility curve to the left?
    1. Destroying cultivated lands due to a drought.
    2. Facing an economic recession.
    3. Removing economic sanctions.
    4. Decreasing the output of industries due to strikes.
    5. Declining labour productivity due to management failures.

14. Which is not a criteria in measuring the performance in an economic system?
    1. Economic growth.
    2. Economic efficiency.
    3. Economic stability.
    4. Modernization.
    5. Equity in the income distribution.

15. Under which situations the opportunity cost is zero?
    1. When a generator is used to produce electricity.
    2. Using a land for a tea plantation by removing cinnamon.
    3. When the government is paying pension to the pensioners.
    4. When a student is selecting a subject stream.
    5. When cultivating paddy by using lake water.

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16.An assumption used to construct the production possibility curve is

1. The opportunity cost is increasing.
2. Resource allocation is done on social preference.
3. Resources are utilized efficiently.
4. Economy faces the problem of scarcity.
5. Opportunity cost occurs when resources are distributed among the industries.

17. What is to be produced question is solved in a command economy,

1. Based on the self- interest.
2. Based on the price mechanism.
3. Based on the demand and supply.
4. Based on the purchasing power of the consumer.
5. Based on the regulations of the government.

18. The role of the profit in a market economy is,

1. Distributing resources for the welfare of the economy.
2. Making the resource allocation in the economy efficient.
3. Allocating resources in the economy to produce public goods.
4. Providing incentives.
5. Maintaining price stability.

19. When other factors are held constant, if money income and real income are decreasing together with decreasing consumer demand for,

1. A luxury good.
2. An inferior good.
3. A giffen good.
4. A normal good.
5. An essential good.

20. What is the reason for inverse relationship between price of the good concerned and the quantity supplied?

1. Profit of the suppliers.
2. Price of a substitute good.
3. Income of the buyers.
4. Expectations of the suppliers.
5. Above all.

21. The demand curve of Z good sold in a market has shifted to the right. The correct reason for this event is,

1. Decreasing the prices of factors of production.
2. Increasing the prices of factors of production.
3. Decreasing the consumer income.
4. Increasing the consumer taste.
5. Expecting a decline in future price.

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22. When the price of fuel increases the transport turns decreases. accordingly,

1. Transport service is a normal good.
2. Transport service is an inferior good.
3. Transport cost is a normal good.
4. Fuel is a normal good.
5. Fuel price and its transport are complimentary goods.

23. Increase in demand can be expected

1. Demanding more at a higher price.
2. Buying the same quantity at a higher price.
3. Buying the same quantity even though the price declines.
4. Increasing demand due to increasing number of consumers.
5. Expecting the increase in quality when the price increases.

24. What can be expected in the market for a good exactly, when there is an increase in demand and decrease in supply simultaneously?

1. Increase in the market price.
2. Decrease in the equilibrium quantity.
3. Equilibrium price changes to the same direction in response to the supply.
4. Price changes to the direction of change in demand.
5. Equilibrium quantity changes to the direction of change in demand.

25. The autonomous quantity demanded for a particular product is Rs25. Maximum quantity demanded is 50 units. Supply equation is Qs=-10+4p. Consumer surplus and producer surplus of this economy are,

1. Rs 225, Rs 77.50.
2. Rs 450, Rs 197.50.
3. Rs 200, Rs 300.
4. Rs 225, 112.50.
5. Rs 225, Rs 75.50.

26. The difference between institutional supply and market supply depends on

1. Price of the good concerned.
2. Prices of related goods.
3. Number of producers in the market.
4. Prices of input.
5. Government policies.

27. The demand equation for a particular good in the market is Qd=120-8p. How much is the point price elasticity of demand at P=5 on the demand curve?

1. -2
2. -1.5
3. -0.5
4. -0.33
5. -0.25

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28. The revenue decreases by selling a certain good,
    1. When the consumer income is increasing and the good is a normal good.
    2. When the price of the good is increasing and the demand for the good is inelastic.
    3. When the price of the good is increasing and the demand for the good is elastic.
    4. When the price of the good is decreasing and the demand for the good is elastic.
    5. When the consumer income is decreasing and the good is an inferior good.

29. The demand equation of the rice market is Qd= 500+10p and the Supply equation is Qs= -200+ 10p. what is the price elasticity of demand at the equilibrium price?

    1. -1.2
    2. -0.8
    3. -0.15
    4. -4.1
    5. -2.3

30. Qs=-10+2p
    Qs=25+5p
    Qs=15p if these equations are mentioned in order based on the elasticity of demand the correct answer is,
    1. Inelastic, unitary elastic, elastic.
    2. Elastic, inelastic, unitary elastic.
    3. Unitary elastic, elastic, inelastic.
    4. Elastic, unitary elastic, inelastic.
    5. Unitary elastic, inelastic, elastic.

31. The demand equation of a particular good is Qd= 100-12p if the elasticity of demand of this good is unitary elastic which statement is true?
    1. Sales revenue is maximum.
    2. Economic surplus is maximum.
    3. Economic profit is maximum.
    4. Sales quantity is maximum.
    5. Production cost is maximum.

32. Given below are demand and supply equations for an agricultural good in a competitive market.

Qd =120-20p
Qs =-40+20p
The government has decided to provide a subsidy of Rs 2 to increase the production. The consumer surplus after the subsidy is,
    1. Rs 90.
    2. Rs 60.
    3. Rs 112.50
    4. Rs 180.
    5. Rs 225.

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33. The following demand and supply equations are for a chicken market.
Qd =100-2p, Qs= -50+ 2p
If the chicken producer is provided with a Rs 3 subsidy by the government, the price received by the producer is

1. Rs 42.
2. Rs 28.
3. Rs 39.
4. Rs 36.
5. Rs 45.

34. The following equations represent the demand and supply equations in a particular market.
Qd = 240-2p , Qs= -30+2p
The supply equation of this product has changed as Qs=-36+2p after imposing a tax. The influence on the equilibrium price is

1. Increasing by Rs2.
2. Decreasing by Rs2.
3. Increasing by Rs 6.
4. Decreasing by Rs6.
5. Increasing by Rs 90.

35.Assume that a market is in equilibrium related to a particular good. Which of the following is possible at every quantity below the equilibrium quantity,

1. Existence of excess demand price.
2. The minimum supply price is greater than the equilibrium price.
3. There is an excess supply at every price.
4. Consumer surplus exceeds producer surplus.
5. The supply price expected by the producers is less than the maximum demand price.

36. If the government is in a deficiency payment scheme with an effective minimum price policy.

1. Consumer surplus and producer surplus increase.
2. Consumer surplus increases and producer surplus decreases.
3. Consumer surplus and producer surplus decrease.
4. Consumer surplus decreases and producer surplus increases.
5. Consumer surplus and producer surplus remain constant.

37. Given below are demand and supply equations for an agricultural good sold in a competitive market.
Qd =200-4p , Qs = -40 + 2p
Assume that the government provides a Rs 6 subsidy for one unit for the producers of this good, what is the price should be paid by the consumer now?

1. Rs 52.
2. Rs 50,
3. Rs 42.
4. Rs 40.
5. Rs 38.

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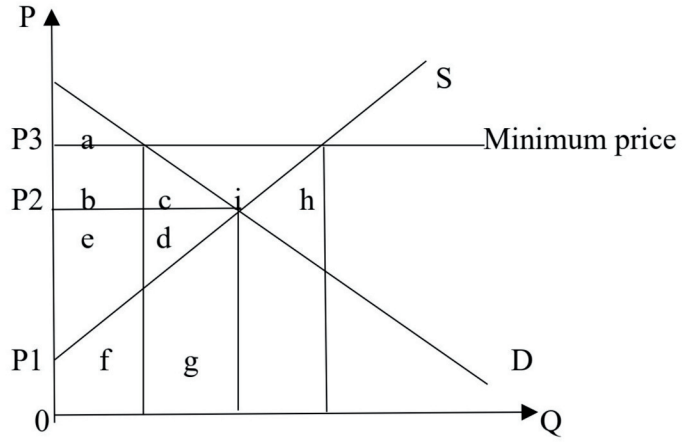
38. When an indirect tax is imposed on a particular good, if there is no effect on the price, its demand curve is,

1. Unitary elastic.
2. Perfectly elastic.
3. Perfectly inelastic.
4. Having an inverse relationship with the price.
5. Having a less slope than the supply curve.

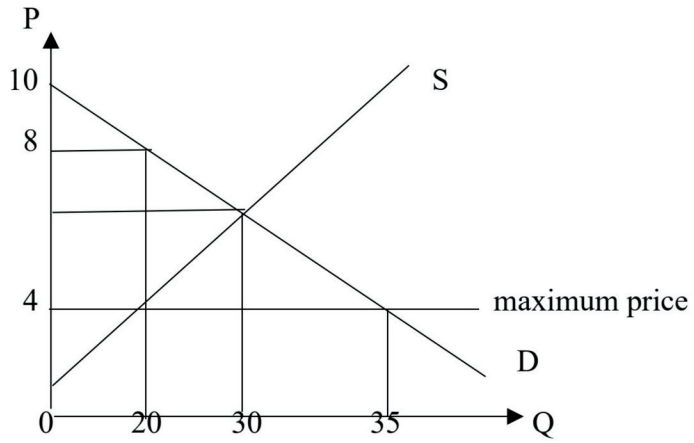
39. The government has imposed a minimum price on a particular product and the excess supply has been purchased. This situation is depicted by the following graph.



Which area shows the dead weight loss after the government intervention?

1. a+b+c
2. c+d
3. i
4. h
5. c+d+g+h

40. Given below is related to a maximum price imposed by the government on a particular good. How much is the consumer surplus after the maximum price when the market reaches the equilibrium at new quantity supplied?



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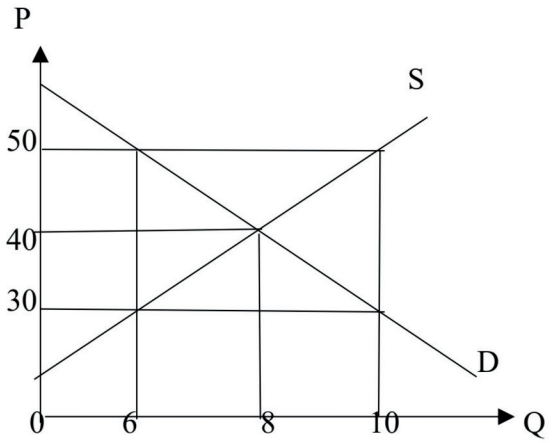
1. Rs80.
2. Rs 90.
3. Rs 60.
4. Rs 110.
5. Rs 150.

41. Given below are demand and supply curves for an agricultural good in the market.



The government has decided to introduce Rs 50 as a minimum price and to maintain the price by purchasing the excess supply. The cost of the government incurred for this intervention is

1. Rs 200
2. Rs 240
3. Rs 360
4. Rs 400
5. Rs 600

42. Which of the following is correct for a normal good related to the following events.

1. An excess tax burden occurs due to an imposition of a tax.
2. Social welfare increases when subsidies are provided.
3. Producer surplus increases when a maximum price is imposed.
4. Consumer surplus increases whenever a minimum price is imposed.
5. There is a black-market price whenever a minimum price is imposed.

43. A common criteria used as a factor in the price elasticity of demand and price elasticity of supply is,

1. The proportion of the income spent on the product.
2. Definition of the product.
3. Essentiality of the product to the society.
4. Mobility of the factors of production to produce the product.
5. The time laps after the price change of the good.

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44. Qd= 100-2px, the slope of the demand curve for this equation is,
    1. -2
    2. -0.5
    3. 100
    4. 2
    5. 50.

45. If it is assumed that the future price of the good increases,

    1. The supply curve shifts to the right.
    2. The supply curve shifts to the left.
    3. A point moves upwards along the supply curve.
    4. A point moves downwards along the supply curve.
    5. The supply curve shifts to the right and a point moves upwards along the supply curve.

46. The following concepts are related to the demand.

    A-The theory of demand.

    B-The law of demand

    C- Demand curve

    D- Demand function

    E- Demand schedule.

Which of the following preferences shows the negative relationship between the price and the quantity demanded?
    1. A, B,C and D.
    2. B, C and D.
    3. A,B and D.
    4. B,C and E.
    5. A,D and E.

47. The demand equation for coconut is Qd=3000-200p in the market. If there are 100 consumers in this market the demand equation for an average consumer is
    1. Qd=30-10p
    2. Qd=30-2p
    3. Qd=300-2p
    4. Qd=300-20p
    5. Qd=100-10p.

48. The economic effect of a 20% tax imposed on a good X which faces a unitary elastic supply curve is,

    1. Shifting the supply curve to the right.
    2. Shifting the demand curve to the left.
    3. Changing the slope and the intercept of the supply curve.
    4. Changing the slope of the supply curve while the intercept is constant.
    5. Changing the supply curve from linear to nonlinear.

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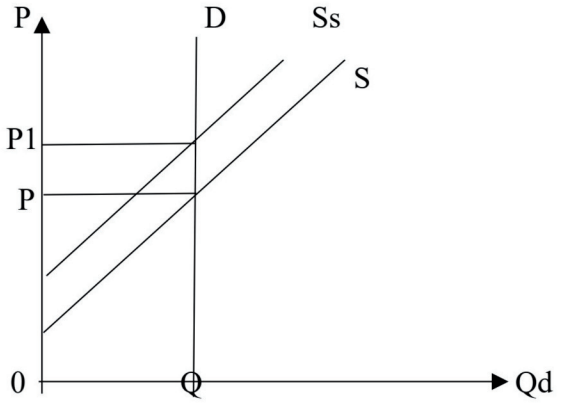
49. Which of the following is not an economic effect of imposing a maximum price on milk powder by the government sold in a competitive market?

1. Creating a shortage of milk powder in the market.
2. Creating a black market for milk powder.
3. Creating unemployment in milk powder market.
4. Paying a higher price for milk powder than the equilibrium price in the market.
5. Creating queues or rationing devices for buying milk powder.

50. Given below is a situation related to a subsidy provided to producers in a hypothetical economy. Mention the changes to the consumer surplus and social welfare loss.



Consumer surplus	Social welfare loss
1. Decreases.	Not changing.
2. Increases.	Decreases.
3. Increases.	Increases.
4. Not changing.	Decreases.
5. Increases.	Not changing.

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දෙවන වාර ඇගයීම -
Second Term Evaluation 2025

ශ්‍රේණිය Grade	12	විෂයය Subject	ECONOMICS ii	කාලය Time	3 Hours

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Instructions:

Answer five questions only, selecting minimum of two questions from Subsection "A" and two questions from Subsection "B"

Sub section 'A'

1. (i) "All factors of production are Economic resources." Do agree? explain. (6 marks)
   (ii) Mention 3 situations where the opportunity cost is zero. (3 marks)
   (iii) Classify natural resources and explain them with examples. (5marks)
   (iv) Explain how division of labour and specialization facilitates productivity of the production process. (6marks)

2. (i) "There is an inverse relationship between price of the good concerned and quantity demanded". Mention whether this statement is positive or normative. Explain. (4marks)
   (ii) What is meant by an economic system? What are the criteria to differentiate economic systems? (4 marks)
   (iii) What are the socialist market economies at present in the world? Give 2 examples. (4marks)
   (iv) Present 2 similarities and dissimilarities between command economic system and market economic system. (4 marks)
   (v) "Price mechanism fails in distributing resources efficiently". Do you agree? Give reasons. (4 marks)

3. (i) What are the assumptions made in drawing the production possibility curve? (4marks)
   (ii) Explain "The law of increasing opportunity cost" and mention the reasons for such situations to occur. (4marks)
   (iii) Explain economic decline and economic recession by using production possibility curves and mention the characteristics which can be seen in an economy in such situations. (8marks)
   (iv) Describe the following events by using the production possibility curves.
      a. Net out migration of more specialist doctors for foreign services.
      b. Purchasing capital assets such as buses, flights, trains to promote transport services. (4 marks)

Sub section 'B'

4. (i) a. Why consumers demand more of a good when its price decreases? (4marks)
   (ii) Introduce the price effect and explain graphically how the price effect is operating when the price of an inferior good decreases. (4 marks)
   (iii) What are the non- price devices used in rationing? (4 marks)
   (iv)The demand function in a free competitive market is Qd= 100-2p and the supply is perfectly elastic. Market equilibrium quantity is 50 units.
      a. Show the equilibrium in a graph and estimate the economic surplus at the equilibrium (4 marks)
      b. If the government imposes a Rs 10 unit tax on producers, estimate the total economic surplus and welfare loss (4marks)

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5. (i) Define the law if supply and mention the non-price factors influenced the supply. (4marks)

(ii) Given below are demand and supply functions for a particular good sold in a competitive market.

Qd = 14-p

Qs= -2+ p

a. Estimate equilibrium price and quantity? (2 marks)
b. Estimate the price elasticity of demand and producer revenue at the market equilibrium (2 marks)
c. If the government has decided the maximum selling price as Rs5 for this good, mention 2 effects which can be created in the market by this event. (2 marks)

(iii) Given below are demand and supply equations for a particular good in the market.

Qd= 1000-20p

Qs= -200+20p

a. Estimate the equilibrium price and quantity in the market. (2 marks)
b. If the government provides a subsidy of Rs 20 on this product, estimate the consumer surplus and producer surplus after the subsidy. (4 marks)
c. Estimate the cost of the government on the subsidy. (2 marks)
d. Estimate the dead weight loss of incurred due to the subsidy. (2 marks)

6. (i) What are the special situations where the coefficient of elasticity of demand is equal at every point on the demand curve? (3marks)

(ii) What is meant by income elasticity of demand? Mention the practical importance of this elasticity. (4marks)

(iii) Given below are demand and supply equations for a particular good in the market.

Qd= 200-5p

Qs= - 50+5p

a. The government imposes a guaranteed price of Rs 35 on this product and the excess supply is purchased by the government, estimate the consumer surplus and producer surplus under this situation. (5 marks)
b. How much is the government cost for this event? (2 marks)
c. Estimate the dead weight loss due to this intervention. (2 marks)

(iv) Why the prices of agricultural products are fluctuating more than the prices of industrial products in the market? What are the steps taken by the government for price stabilization to avoid this condition? (4 marks)

7. (i) Show the difference between short run and long run in the production using a production function. (4 marks)

(ii) What is meant by "the law of diminishing returns"? and show the behavior of the average product curve and marginal product curve. (4marks)

(iii) Describe the increasing returns to scale and mention the factors for economies of scale. (4marks)

(iv) Show the difference between economic profit and accounting profit. (4marks)

(v) Explain the sunk cost and give 2 examples. (4marks)

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