



Provincial Department of Education
Northern Province
General Certificate of Education (Adv.Level) Examination
Practice Examination 2019 - May
Economics- Part 1



Grade 13 (2019)

Time: 2 Hours

- ❖ Answer all the questions
- ❖ In each of the question from 1 - 50, pick one of the alternatives (1), (2), (3), (4), (5) which you consider as correct or most appropriate.
- ❖ Mark a cross (X) on the number
- ❖ Corresponding to your choice in the answer sheet provided

1. The Scarcity is
 1. the shortage of a few goods of a country
 2. the situation of Human wants does not fulfill by using the available resources of an economy
 3. there is not scarcity due to the economic growth
 4. the scarcity problem will not occur in a meric
 5. the choice problem of an economy will not arise due to the scarcity
2. Which of the following is a Social capital?
 1. Agricultural land
 2. Factories and building
 3. Telecommunication network
 4. Public road
 5. Surgery centers
3. Choice of an economics is arise due to
 1. the scarcity
 2. unlimited needs for scarcities of resources
 3. limited needs and limited resources
 4. unlimited wants and limited resource
 5. limited resource of all societies
4. When an economy produce a point on the production possibility curve
 1. Some resources is used in an economy
 2. That is a feature of a market economy
 3. The resources which have not allocative efficiency
 4. That curve which has an increasing opportunity cost
 5. That is indicated production efficiency

5. Identify the correct statements
1. Contraction of demand is indicated the leftward shift in demand curve
 2. Increase in demand elasticity is indicated the rightward shift in demand curve
 3. Due to the increase in real income, when price of a particular good increase the quantity of demand decrease
 4. Negative substitution effect related to inferior good is more than negative income effect
 5. When price of a particular good which has an elastic demand, increase producer's income will increase
6. The demand equation change from $Q_d = 600 - 10p$ to $Q_d = 700 - 10p$ which of the following is a reason or this
1. Increase in price of substitute goods
 2. Price of a particular goods increases as double
 3. Consumer's taste change
 4. House hold's income decrease
 5. Decrease in price of a substitute goods
7. The demand and supply equation of a particular good are given below
- $$QD = 200 - 5p \qquad QS = -100 + 5P$$
- If the government purchases excess supply at price Rs 35.00, what is the value of change in purchasing expenditure?
1. Change by Rs 1500.00
 2. Decrease by Rs 1125.00
 3. Increase by Rs 1125.00
 4. Increase by Rs 2625.00
 5. Decrease by Rs 1500.00
8. In which of the following situation, equilibrium price of a competitive market decline
1. Price of production resources increases, when there are elastic demand situation
 2. Input prices decrease, when there are in elastic situation
 3. Unit tax imposes, when there are perfectly in elastic demand situation
 4. Unit tax imposes, when there are perfectly elastic supply situation
 5. Production subsidy provides when there are perfectly elastic demands
9. The government imposes a minimum control price for benefit of the producer which is sold at a competitive market. Consider that the government purchase excess production. What is the effect of producer surplus and consumer surplus due to the control price?

| Producer Surplus | Consumer Surplus |
|------------------|------------------|
| 1. Decrease | Decrease |
| 2. Decrease | Increase |
| 3. Constant | Increase |
| 4. Increase | Increase |
| 5. Increase | Decrease |

10. The demand and supply equation of a particular good which is sold at a market are given below

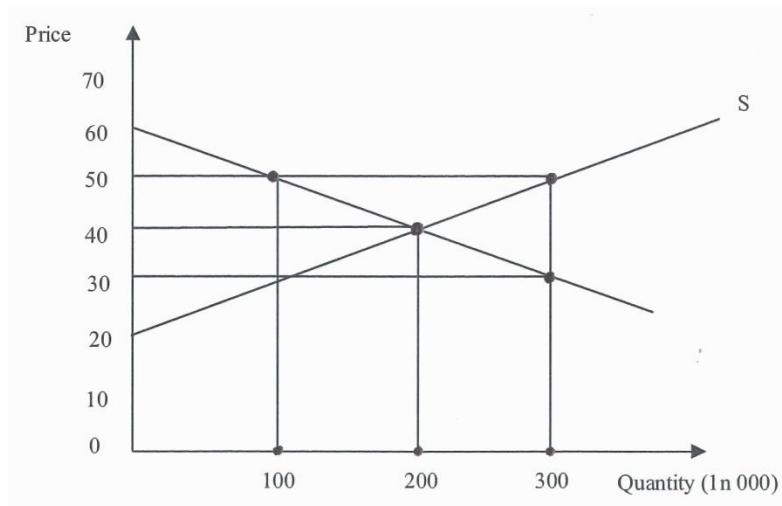
$$Q_d = 6000 - 100p$$

$$Q_s = -2000 + 100p$$

Consider that the Government impose a control price an Rs 30.00 which of the following is correct

| Import Expenditure | Total Cons |
|--------------------|------------|
| 1. Rs 60,000 | Rs 80,000 |
| 2. Rs 30,000 | Rs 60,000 |
| 3. Rs 60,000 | Rs 90,000 |
| 4. Rs 60,000 | Rs 30,000 |
| 5. Rs 90,000 | Rs 60,000 |

11. The following diagram shows that the demand and supply curves of a market where sold a cloth



If the government decides to provide import quota an Rs 200 thousand.

What is the value of equilibrium price and equilibrium quantity for cloth?

1. Equilibrium price Rs 50, Quantity 300 units
2. Equilibrium price Rs 40, Quantity 200 units
3. Equilibrium price Rs 30, Quantity 200 units
4. Equilibrium price Rs 30, Quantity 100 units
5. Equilibrium price Rs 30, Quantity 300 units

12. Although price of a particular good increase, producer income has declined for that commodity so that good which has?
1. an unitary elasticity of demand
 2. perfectly elasticity of demand
 3. perfectly in elastic demand
 4. price elasticity of demand
 5. supply elasticity of demand
13. A firm sells 10 million Kandos at Rs 10, Price elasticity of demand is -2.5 if that firm decrease the price by 20%, income of that firm
1. Increase by 50MRS
 2. Decrease by 20 MRS
 3. Increase by 30 MRS
 4. Decrease by 40 MRS
 5. Increase by 20 MRS

14. The demand equation of a particular good is $Q_d = 300 - 10p$ consider that the good which has constant supply 150 units in all prices.

The government set minimum control price as Rs 20.00

Which of the following combination is correct?

| Excess Supply | Change in consumer surplus | Change in producer surplus |
|---------------|----------------------------|----------------------------|
| 1. 625 Units | Rs. 625 | Rs. 750 |
| 2. 50 Units | Rs. 625 | Rs. 750 |
| 3. 50 Units | Rs. 750 | Rs. 625 |
| 4. 100 Units | Rs. 1125 | Rs. 2250 |
| 5. 150 Units | Rs. 750 | Rs. 1125 |

15. When the Average product (AP) of a firm reach maximum point in short run
1. Marginal product decline
 2. Marginal cost decline
 3. Average cost increase
 4. Total production will reach maximum point
 5. Marginal cost intersect the minimum point of average variable cost
16. Profit maximization output level of a perfectly competitive firm is determined
1. When increasing marginal cost is equal to marginal revenue
 2. When marginal benefit is equal to marginal cost (MB=MC)
 3. When marginal revenue (MR) is equal to marginal cost
 4. When total revenue is equal to total cost (TR=TC)
 5. When law of diminish is extreme

17. Consider that the profit maximization output level of a perfectly competitive firm is 2000 unit and market equilibrium price is Rs 50. The firm earn economic profit an Rs 20 000 at this output level AVC at equilibrium output level is 30 Rs, so producer surplus is
1. Rs 100 000
 2. Rs 80 000
 3. Rs 60 000
 4. Rs 40 000
 5. Rs 30 000
18. When the output level which is equal to tangent point of total revenue and total cost of perfectly competitive firm
1. Firm will earn normal profit
 2. Firm will earn profit
 3. Firm minimizes loss
 4. Profit maximization of firm will held
 5. That is a breakeven point
19. Which of the following production activities are not included at production boundary in national accounting?
1. The own account production of housing services by owner occupiers
 2. Weaving cloth, dress making
 3. Activities such as decorating and cleaning of a house
 4. All goods and services sold at the market
 5. The processing of agricultural products, fish for preservation
20. The calculation of the value of gross national income according to the expenditure method of national accounting
1. Final consumption + Gross Domestic capital formation + Export + Net foreign primary income
 2. Final consumption + Gross investment – Net import + Net foreign primary income
 3. Private consumption + Gross investment - Net foreign primary income
 4. Household consumption + Government purchases + fixed capital formation + Net foreign primary income
 5. Final consumption + Gross Domestic capital formation + Change in stock + Net export + Net Secondary income

21. The following data are related to national accounting of an economy

| Item | Amount (million Rupees) |
|----------------------------------|-------------------------|
| Gross domestic product | 22 000 |
| Gross domestic capital formation | 9 000 |
| Govt purchases | 5 000 |
| Net exports | 2 000 |

The Value of private consumption expenditure is

1. 5 000 Million
 2. 6 000 Million
 3. 4 000 Million
 4. 8 000 Million
 5. 12 000 Million
22. When government expenditure decline by 500 million in closed economy with government sector, the income will decline by 2500 million. What is the value of marginal propensity to saving?
1. 0.5
 2. 0.8
 3. 0.2
 4. 0.75
 5. 0.6
23. The tax multiplier is -1.5 in closed economy with government sector. When the equilibrium level of income increase by 500 million, in which amount of consumption and saving will change?

| Consumption level | Saving level |
|-------------------------|----------------------|
| 1. 200 million increase | 300 million increase |
| 2. 500 million decrease | 400 million increase |
| 3. 300 million increase | 200 million increase |
| 4. 300 million decrease | 200 million decrease |
| 5. 350 million decrease | 250 million decrease |

24. If the slope of the consumption curve decline in simple economy, which effect will occur?
1. Value of multiplier increase and equilibrium level of income will increase
 2. Value of multiplier decreases and equilibrium level of income will decrease
 3. Value of multiplier increases and equilibrium level of income will decrease
 4. Value of multiplier decreases and equilibrium level of income will increase
 5. Value of multiplier decreases and equilibrium level of income will be constant
25. Consider that the government decrease the tax by 50 million and increase government purchasing expenditure by 50 million. Marginal propensity to consume is 0.60 so, the equilibrium level of income will

1. Increase by 200 million
2. Increase by 125 million
3. Increase by 250million
4. Increase by 50 million
5. Decrease by 200 million

26. Which of the following is considered as money in broad money supply (M2)?

1. Notes and coins and deposits
2. Cheques and saving deposits
3. Time and saving deposits
4. Cheques and fixed deposits
5. Notes and coins and demand deposits

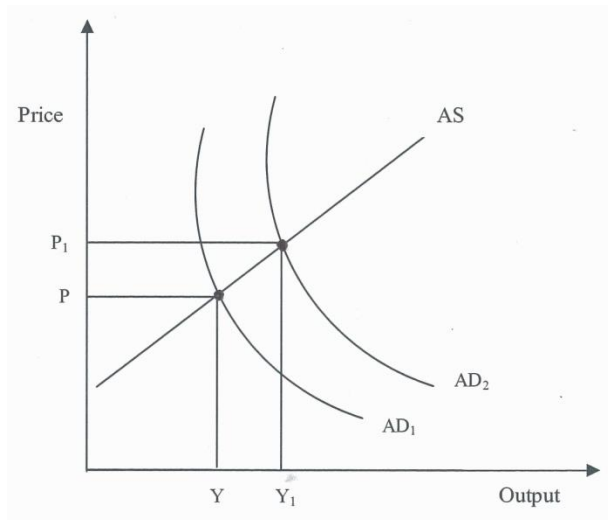
27. The following data are related to money supply of Sri Lanka

| Item | Amount (MRS) |
|--|--------------|
| Money multiplier | 5 |
| M Money supply | 2500 |
| Currency held by Commercial bank | 150 |
| Commercial bank's deposits Held by central bank | 200 |

Currency held by public is

1. 250 million
2. 100 million
3. 150 million
4. 300 million
5. 500 million

28. The following diagram shows the aggregate demand (AD) and aggregate supply (AS) of an economy



What are factor which causes to move from AD_1 to AD_2

1. Increasing interest rate
2. Increasing government expenditure
3. Increase in tax
4. Increase in net import
5. Decrease in money supply

29. Increase the preference of the people to keep money in the form of money

1. It will occur, when money supply decline
2. It will occur, when market price GDP increase
3. It will occur, when net domestic product decrease
4. It will occur, when price of commodity declines
5. It will occur, when price of financial papers increase

30. Assume the one of the commercial banks in the banking system has cash reserves of Rs. 20 000 billion loans of Rs 30 000 and deposits of Rs 50 000. If required reserve ratio is 20%, what is the value of new deposits of banking system?

1. Rs 100 000 Billion
2. Rs 50 000 Billion
3. Rs 20 000 Billion
4. Rs 80 000 Billion
5. Rs 10 000 Billion

31. When the government engages in reselling at money market

1. Shortage of liquidity of commercial bank will increase
2. Supply of liquidity will increase
3. Supply of liquidity will decrease
4. Demand for loan of people will decrease
5. Excess reserves of commercial bank will decrease

32. Which of the following factor is reason for market failure of an economy?

1. There are public resources
2. There are positive externalities
3. Resources allocate efficiently by the market
4. Only private benefit consider by market
5. The government provides public goods and services

33. The reason for the government failure is
1. In efficiency resource allocation
 2. Resource allocation towards public goods
 3. No mission in political policy
 4. Less administration cost
 5. Equal income distribution
34. The action is taken by the government to encourage positive externalities
1. Imposing of environment tax
 2. Deciding of a fine by the government
 3. Issuing of license
 4. Inducement of demand
 5. Recycling
35. Vertical equity of tax is
1. The need to treat equally for the people with similar economic capabilities
 2. The need to treat differently for the people with different economic capabilities
 3. The particular amount of tax burden on consumer
 4. Any possibility to shift the tax burden to someone else
 5. Decreasing marginal tax rate when the tax base increase
36. In market economy more units of demerit goods are produced because,
1. Social benefit is greater than private benefit
 2. Social cost is less than the private cost
 3. Private benefit is greater than social benefit
 4. There are less amount of external lost
 5. This goods which have external benefit
37. The good which have non excludability and non-rival consumption
1. Private good
 2. Merit good
 3. Pure Public good
 4. Property resources
 5. Public resources
38. The output quantities of two products such as X and Y that can be produced in America and Brazil using given amount of inputs are illustrated in the table below

| Goods | America | Brazil |
|--------|---------|--------|
| X good | 25 | 20 |
| Y good | 15 | 10 |

The correct statement according to the above information

1. America has the absolute advantage in both production such as X good and y good
2. Brazil has the comparative advantage in Y good
3. Brazil has the comparative advantage in X good
4. America will produce and export X good
5. Brazil will produce and export Y good

39. Which one of the following is a decision to solve long term deficit of balance of payment?

1. Increasing the value of foreign exchange rate
2. Controlling other import goods excepting necessity import goods
3. Implementing import agreement
4. Controlling direct foreign investment
5. Getting foreign debt facilities

40. If the inflation rate is high of a country which engage foreign trade than the inflation rate of Sri Lanka

1. Nominal effective exchange rate of a country is higher than the real effective exchange rate
2. Real effective exchange rate is higher than the nominal effective exchange rate
3. The value of nominal exchange rate is high
4. The value of nominal effective exchange rate is higher than the real effective exchange rate
5. The value of real effective exchange rate is high

41. The objective of Asian development bank (ADB) which is multilateral international financial organization

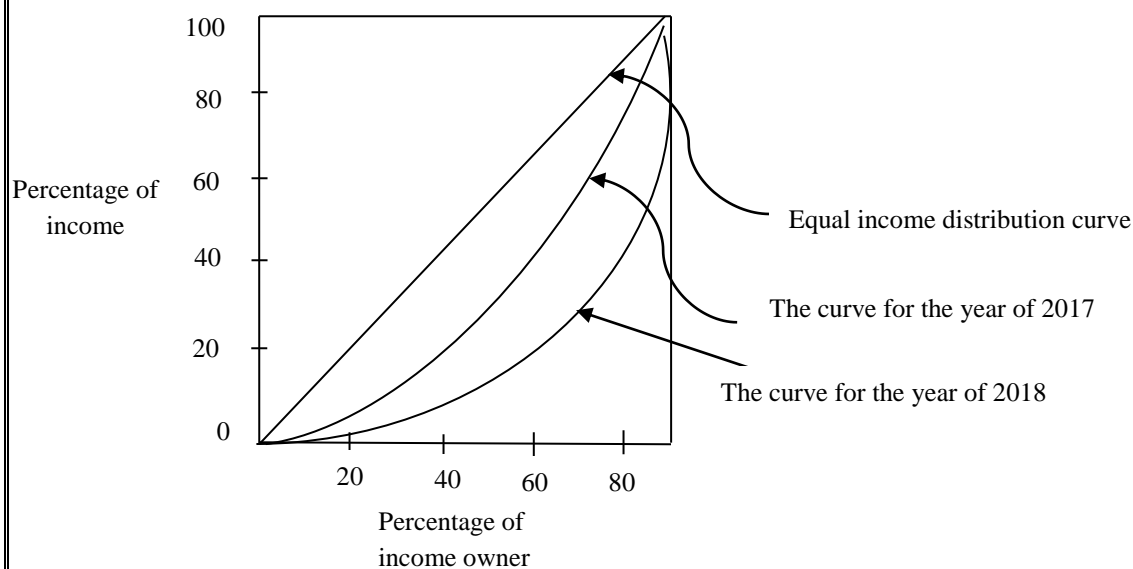
1. Improvement of cooperation among countries
2. Improvement of living standard and reducing poverty among countries
3. Improvement of foreign investment
4. Sharing culture among the countries
5. Development & Protect domestic war among the countries

42. The example for common market which facilitate movement of factors of production and goods and service among the member countries

1. Central American Common market (ACM)
2. African free trade zone (AFTZ)
3. Custom Union (CU)
4. Free trade Area (FTA)
5. Economic and monetary unions (EU)

43. Which of the following explains that the economic growth take place
1. Increasing production level and equal income distribution
 2. Production level should increase although production is found in production boundary
 3. Right ward shift in production possibility curve and shift in aggregate supply curve
 4. Right ward shift in production possibility curve and right ward shift in aggregate supply curve
 5. Increasing optimum production level of an economy
44. Which one of the following is a common characteristic of the countries which succeeded in growth process?
1. Allocation of resources based on govt control
 2. Macroeconomic objectives achieve by market forces
 3. Maintaining high level of saving and investment
 4. Improving the relationships among the employees
 5. Creating productivity of labour force
45. Identify the main components included to measure the human development
1. Mean value of years of schooling, Health
 2. Purchasing power parity per capita gross national income, education, health
 3. Quality of health facilities, Quality of school education and welfare sector
 4. Health, living standard and knowledge
 5. Higher income, higher health facilities and higher education

46. The following diagram shows the curve for a hypothetical country



Which effect occur in this country

1. Housing scheme provided related to poor people
2. Income is equalized
3. Poverty elimination programme is reduced in the year of 2018
4. Income is equalized in regional wise
5. Income of country is distributed among the people

47. Some of the demographic data for country is given below

| Item | Number (in million) |
|-----------------------|---------------------|
| Number of job seekers | 20 |
| Housewives | 15 |
| Full time students | 20 |
| Working population | 200 |
| Disabled persons | 05 |

Based on the above information, what is the answer that shows the employment rate and labour force participation rate?

| Employment rate | Labour force participation rate |
|-----------------|---------------------------------|
| 1. 10% | 70% |
| 2. 15% | 80% |
| 3. 87.5% | 80% |
| 4. 60% | 80% |
| 5. 25% | 65% |

48. Disparity of income distribution measures by

1. Quintile dispersion ratio
2. Per capita income
3. Purchasing power per capita income
4. Real Gross domestic product process ratio
5. Real Gross national income process ratio

49. Poverty head count index shows

1. The amount of population belong to poverty as a percentage of total richest
2. The amount of population below the poverty line as a percentage of total population
3. The expenditure for food an non food item consumption as a percentage of population below the poverty line
4. The amount of population below the poverty line as a percentage of labour force
5. The difference between low income earners and high income earners

50. Happiness index introduce to measure development of all sectors of countries of the world

Which of the following combination included in these sectors?

1. Agriculture, Industry, Services and political
2. Social, Economic and service Sector
3. Social, Economic, Cultural political and Environment
4. Economic and Social human sector
5. Production service, Technological and Human sector