



**Provincial Department of Education
Northern Province
General Certificate of Education (Adv.Level) Examination
Practice Examination 2019 - May
Economics- Part 11**



Grade 13 (2019)

Time: 3 Hours

Instruction

Answer five questions only, selecting minimum of two questions from sub-section 'A' and two questions from sub-section 'B'.

Sub section 'A'

(Select minimum of two questions from this section)

Question 01

- i. All "natural resources" which is used for production, called as non-economic resources. Do you agree this statement? Explain your answer
(4 marks)
- ii. List characteristics of the economic systems which follow planned mechanism, price mechanism
(4 marks)
- iii. Distinguish between Capital and Social capital
(4 marks)
- iv. Which conditions should fulfilled to achieve productive efficiency? Explain
(4 marks)
- v. Draw a production possibilities curve reflecting increasing opportunity costs for an economy producing two goods, computer software goods (horizontal axis) and Motor vehicle parts (vertical axis)
(4 marks)
- vi. Explain the following by using PPC
 - a) Increasing unemployment due to the recession
(1 marks)
 - b) Inefficiency uses of resources
(1 marks)
 - c) Efficiency uses of resources
(1 marks)

Question 02

- i. What are the factors change in increase in supply of a commodity which sold in competitive market?
(4 marks)
- ii. The information about the good which is sold in market are given below
 - When price of good X increases by 5%, its quantity demanded increased by 3%
 - The quantity demanded of good X increase by 7.5% due to the increase in price of X

- a) Calculate the price elasticity of good X, and cross elasticity for X and Y goods (2 marks)
- b) Classify X good, X and Y goods (2 marks)

iii. Distinguish between consumer surplus and producer surplus (4 marks)

iv. The demand and supply curves for a good sold in a competitive market are given by the following equation

$$Q_d = 500 - 10p$$

$$Q_s = -300 + 10p$$

- a) Determine the equilibrium price and quantity for this market by drawing the demand and supply curve in graph paper (4 marks)
- b) If the government purchases excess supply at the control price of Rs 45, what is the amount of purchasing expenditure? (2 marks)
- c) If the government purchase excess supply, what is the amount of consumer surplus? (2 marks)

Question 03

i. Explain the legal price control policies which impose by the government (4 marks)

ii. The following market demand and supply equations are related to a particular good

$$Q_d = 400 - 15p$$

$$Q_s = 200 - 5p$$

- a) Calculate the consumer expenditure at market equilibrium? (2 marks)
- b) If the government imposes a unit tax as Rs 4.00 on producers, what is the value of loss of consumer surplus? (4 marks)

iii. When the government imposes a unit tax on the good which have inelasticity of demand and elastic supply, how does the consumer tax burden and producer tax burden? Explain your answer with diagram (5 marks)

iv. What are the assumptions mentioned to define extension of demand (5 marks)

Question 04

i. What are the relationship between short run average variable cost (AVC) and marginal cost (MC)?

(5 marks)

ii. The following information are related to perfectly competitive firm

Item	Amount (million Rupees)
Total revenue	45 000
Producer Surplus	23 000
Average cost (AC)	40
Marginal Cost (MC)	45

a) What is the value of Average variable cost?

(2 marks)

b) What is the value of Average fixed cost?

(2 marks)

c) What is the level of output of firm?

(1 marks)

iii. Explain the term of economies of scale? How do the economies of scale arise?

(5 marks)

iv. What is meant by indirect cost? What are the items are included in this cost?

(5 marks)

Question 05

i. Explain the important characteristics of boom and recession points of business cycle

(4 marks)

ii. Explain the multiple counting problems in national accounting with example

(5 marks)

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

Item	Value (Rs. Millions)
House hold consumption	1000
Gross Domestic capital formation	800
Government purchases	400
Services provided to households with non profits	200
Gross Domestic product	3200
Net foreign primary income	750
Secondary income received	2500
Secondary income payments	1300

According to the above data calculate the following

a) Net export of goods and non-factor services

(2 marks)

b) Value of National saving

(1 marks)

c) Disposable Gross national income

(2 marks)

- iv. You are given the following information about a hypothetical economy
- Autonomous consumption (C) 400 million Rupees
 - When income increases 1000 million Rupees, saving increases by 200 million Rupees
 - Private investment is 200 million
- a) Give consumption, saving equations? (4 marks)
- b) If the government spent 200 million, What is the value of change in equilibrium level of income? (2 marks)

Sub section – ‘B’

(Select minimum of two questions from this section)

Question 06

- i. Which effects occur on Demand for money by the following factors?
- a) Real income (2 Marks)
- b) General Price level (2 Marks)
- ii. What is meant by monetary target? Which is the aim of monetary policy frame work for central bank? (4 Marks)
- iii. The following is a balance sheet for one of the banks in a Commercial banking system in a country.

Liabilities	Value (MRS)	Assets	Value
Deposits	7 000	Reserves	2 000
		Securities	1 000
		Loans	4 000
Total	7 000	Total	7 000

Bank maintains excess reserves as 600 million Rupees and there are found 7800 million rupees as money supply of a country

- a) What is the required reserve ratio? (2 Marks)
- b) If the bank provides loan excess reserves, what is the amount of new deposits of banking system? (2 Marks)
- c) If people deposit Rs 500 million, how will the money supply be found? (2 Marks)
- iv. Name the primary reserves and earning assets of commercial bank’s balance sheet?(4 Marks)
- v. Gross Domestic product of a hypnotically economy increase from 10 000 MRS to 10 500 MRS. Real product of country increase by 2%, so what is the chance in value of general price level (2 Marks)

Question 07

- i. Explain the characteristics of the following
- Merit good
 - Demerit good
 - Public good and public resources (4 Marks)
- ii. When producing goods or service external benefits will occur why market output is less than the social output? (4 Marks)
- Explain the appropriate diagram
- iii. What are the functions of government to eliminate market inefficiency? (4 Marks)
- iv. Explain the legal tax compliance and economic tax compliance with examples. (4 Marks)
- v. The following table is related to budget of an economy

Item	Amount (million)
1. Tax revenue	1600
2. Expenditure on goods and services	2200
3. Capital expenditure	1000
4. Non tax revenue	500
5. Current transfers	800
6. Current account balance	-1200
7. Donation	500
8. Net lending	200

Calculate the following

- What is the value of Interest payment? (2 Marks)
- What is the value of overall balance? (2 Marks)

Question 08

- i. What are the assumptions based to comparative advantages theory. (4 Marks)
- ii. The kelani tyre which is produced in domestic country price of a tyre is Rs 8000. This good which have Rs 2000 value of import inputs
- Consider that Imported tyre from Japan is sold in domestic market
- When impose 10% of import tax on import good, what is the value of nominal rate of protection? (NRP) (1 Marks)
 - When import tax is not change, what is the value of effective rate of protection? (2 Marks)

- c) When import tax on imported goods is not change, the tax is imposing 5% of tax on imported inputs. So what is the value of effective rate of protection? (2 Marks)
- iii. What are the objectives of world trade organization? (3 Marks)
- iv. List the actions for deficit financing in short term and long term remedious actions of balance of payment (4 Marks)
- v. What are the factors which cause demand for Dollars to Sri Lankans in foreign exchange market? (4 Marks)

Question 09

- i. Distinguish between Economic growth and Sustainable development. (4 Marks)
- ii. Explain the difference between absolute poverty and relative poverty (4 Marks)
- iii. What are the important of economic growth? explain. (4 Marks)
- iv. What are the other qualitative changes occurred with economic growth through the process of economic development? (4 Marks)
- v. How does the World Bank classify countries according to their per capital income levels? (4 Marks)

Question 10

- i. What are the Criteria's used to prepare the index of knowledge economy? (5 Marks)
- ii. What are the programme introduced to engage regional development in northern and uva province? (5 Marks)
- iii. Explain the economic and social important of infrastructure facilities? (5 Marks)
- iv. What are the actions proposed to eliminate regional in equality in Sri Lanka? (5 Marks)