

NALANDA COLLEGE - COLOMBO 10

G.C.E. (A/L) EXAMINATION - 2019

FINAL TERM TEST – JUNE 2019

ECONOMICS - I

GRADE 13

Time :- 02 Hours



21 E I

Name : Class : Index No :

Instructions :

- * Answer all the questions on this Question paper it self.
- * Select the correct answers for Questions No. 1 - 50 and write its number on the dotted line given.

(01) "Paul M. Romer" was awarded the 2018 Nobel memorial prize in Economics for his contribution on,

- (i) integrating technological innovation in to long run macroeconomic analysis.
- (ii) Integrating climate change into long run economic analysis.
- (iii) integrating trade innovation into long run economic analysis.
- (iv) managerial economics.
- (v) financial economics. (.....)

(02) Who is author of the ancient book on economics, "Arthashastra"?

- (i) Chandragupta Maurya
- (ii) Alexander the great
- (iii) Chanakya (kautilya)
- (iv) Sashrat
- (v) Adam Smith (.....)

(03) Economics is the study of

- (i) Scarcity of resources and productive efficiency.
- (ii) Scarcity of resources and choice.
- (iii) Scarcity of resources and full employment.
- (iv) Scarcity of resources and under employment.
- (v) Scarcity of resources and consumption. (.....)

(09)

(04) What do economies aim to achieve in tackling the economic problem of scarcity?

- (i) equal reward or equal effort.
- (ii) increase productivity of resources.
- (iii) maximize national security.
- (iv) equal salary for everyone.
- (v) optimum allocation of finite resources.

(.....)

(05) The term "**human capital**" refers to,

- (i) labour force employed in the health sector.
- (ii) labour force employed in the education sector.
- (iii) labour force employed in the defense sector.
- (iv) the skill and knowledge endowment of labour force.
- (v) the entrepreneurship.

(.....)

(06) In a market economy "**What to produce?**" is decided by,

- (i) private entrepreneurs.
- (ii) employees of the firm
- (iii) production manager
- (iv) marketing manager
- (v) the government

(.....)

(07) In a market economy, personal income is determined by,

- (i) factor price in the factor market and the quantity exchanged at that price.
- (ii) factor price in the factor market and government subsidies.
- (iii) factor price in the factor market and government tax.
- (iv) factor price in the factor market and property ownership.
- (v) factor price in the factor market and government wage policy.

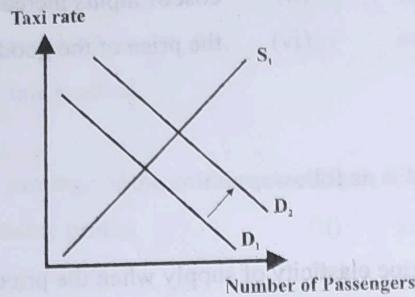
(.....)

(08) Which one of the following factors causes the market demand curve for a good to remain unchanged?

- | | |
|----------------------------------|--------------------------|
| (i) Number of consumers. | (ii) Consumer preference |
| (iii) Price of substitute goods. | (iv) Consumer income |
| (v) Price of that good | |

(.....)

- (09) The diagram shows the demand and supply of taxi service.



What would cause a shift of the demand curve from D_1 to D_2 ?

- (i) an increase in taxi service cost.
- (ii) an increase in taxi service taxes.
- (iii) an increase in incomes.
- (iv) an increase in facilities of public transport services.
- (v) a decrease in customer attractiveness.

- (10) The price elasticity of demand measures,

- (i) Increase in quantity demanded to a relative change in the price of a good.
- (ii) The responsiveness of quantity demanded to a relative change in the price of a good.
- (iii) Decrease in quantity demanded to a relative change in the price of a good.
- (iv) The responsiveness of quantity supplied to a relative change in the price of a good.
- (v) The responsiveness of income to a relative change in the price of a good.

- (11) Assume that the demand for a certain firm's product is unitary elastic. What will be the effect on the firm's revenue if the firm decreases its price by 10%?

- (i) Revenue will increase by 10%
- (ii) Revenue will decrease by 10%.
- (iii) Revenue will fall to zero.
- (iv) Revenue will be unchanged.
- (v) Revenue will increase by 5%.

- (12) An increase in the price of "Pineapple mixed fruit drink" has caused the demand for "Mango mixed fruit drink" to rise by 50%. The cross price elasticity of demand between two products is +5. Which change in the price of "Pineapple mixed fruit drink" has brought this about?

- (i) from Rs. 50/- to Rs. 55/-
- (ii) from Rs. 50/- to Rs. 56/-
- (iii) from Rs. 50/- to Rs. 60/-
- (iv) from Rs. 50/- to Rs. 70/-
- (v) from Rs. 50/- to Rs. 75/-

- (13) The market supply curve for some good or service would shift to the right when, (20)
 (i) technological failure (ii) cost of inputs increases
 (iii) cost of inputs decrease (iv) the price of the good increases.
 (v) the price of the good decreases. (....)
- (14) The supply equation of a particular good is as follows,
 $Q_s = 100 + 10P$
 What is the value of the coefficient of price elasticity of supply when the price is Rs. 5/-.
 (i) +3.3 (ii) +0.03 (iii) -3.3
 (iv) +0.33 (v) -3.3 (....)
- (15) Suppose that the supply equation for a particular good is given as $Q_s = 100 + 5P$. A two rupees (Rs. 2/-) unit tax was imposed on this good. What is the supply equation after tax?
 (i) $Q_s = 102 + 5P$ (ii) $Q_s = 98 + 5P$
 (iii) $Q_s = 90 + 5P$ (iv) $Q_s = 110 + 5P$
 (v) $Q_s = 95 + 5P$ (....)
- (16) Which statement about maximum and minimum prices is correct?
 (i) with an effective maximum price policy, the market price will fall.
 (ii) with an effective maximum price policy, rationing will be necessary.
 (iii) with an effective maximum price policy, the minimum price will rise.
 (iv) with an effective maximum price policy, a shortage will develop.
 (v) with an effective maximum price policy, the demand will fall. (....)
- (17) When marginal product of the short run production function of a firm increases,
 (i) the total product increases
 (ii) the total product decreases
 (iii) the total product is maximized
 (iv) the total product remains unchanged.
 (v) the total product equals average product. (....)
- (18) Which statement about total fixed cost is correct?
 (i) It is calculated by dividing total cost by output
 (ii) It is calculated by adding total fixed and total variable cost.
 (iii) It must be paid even if output is zero.
 (iv) It falls as output increase.
 (v) It increases as output falls. (....)

- (19) A market is identified as a perfect competitive one when large number producers sell,
- (i) a competitive product (ii) an equal product
(iii) a capital intensive product (iv) an identical product
(v) a unique product (.....)
- (20) The transfer earnings of the entrepreneurship is identified as,
- (i) economic profits (ii) super normal profits
(iii) normal profits (iv) total cost
(v) total fixed cost (W.....)
- (21) In the expansionary phase of the business cycle,
- (i) investment is rising and output is falling.
(ii) employment is falling and output is falling.
(iii) employment is rising and output is rising.
(iv) employment is rising and investment is falling.
(v) employment is falling and investment is falling. (V.....)
- (22) To calculate Gross Value Added (GVA) at basic price from the income approach, one must add together,
- (i) Compensation of employees + Gross operating surplus + Other taxes less subsidies on products
(ii) Compensation of employees + Gross operating surplus + Other taxes less subsidies on production
(iii) Compensation of employees + Gross operating surplus + Net operating surplus
(iv) Compensation of employees + Gross operating surplus + Mixed income
(v) Compensation of employees + Gross operating surplus + Consumption of fixed capital (11.....)
- (23) At present (2018), Sri Lanka's GDP and GDP per capita, at current market price is approximately,
- (i) US\$ 100 billion and US\$ 5000
(ii) US\$ 80 billion and US\$ 3842
(iii) US\$ 89 billion and US\$ 4102
(iv) US\$ 82 billion and US\$ 3886
(v) US\$ 50 billion and US\$ 2500 (11.....)

- (24) A higher GDP per capita may not mean that the quality of life has really improved because,
- (i) It measures production not purchasing power.
 - (ii) It measures Gross Domestic product not income.
 - (iii) It is only measured income.
 - (iv) It is only measured investment.
 - (v) It is only measured capital formation. (.....)

- (25) As income increases from Rs. 10000/- to Rs. 20000/- consumption expenditure increases from Rs. 8000/- to Rs. 16000/-. The marginal propensity to save is equal to,
- (i) 0.8
 - (ii) 0.2
 - (iii) 0.5
 - (iv) 0.1
 - (v) 0.8 (.....)

- (26) If injections are greater than withdrawals,
- (i) National income is likely to increase.
 - (ii) National income is likely to decrease.
 - (iii) National income will stay in equilibrium.
 - (iv) Prices will fall.
 - (v) Prices will increase. (.....)

- (27) An increase in which of the following will increase the expenditure multiplier?
- (i) The supply of money.
 - (ii) Equilibrium income.
 - (iii) Personal income tax rates.
 - (iv) The marginal propensity of consume.
 - (v) The supply of credit. (.....)

- (28) **"Importance of property price indices as leading economic indicators".**
What is the base year of the "Land Price Index" in Sri Lanka?
- (i) 2008
 - (ii) 1998
 - (iii) 2010
 - (iv) 2015
 - (v) 2013 (.....)

- (29) A country has a target rate of inflation of 3% and has recently experienced the actual rate rising to 7%, with unemployment falling to very low levels.
Which policy option is most likely to be implemented?
- (i) an increase in government expenditure on training.
 - (ii) an increase in indirect taxes on demerit goods.
 - (iii) an increase in interest rates.
 - (iv) an increase in import tariffs.
 - (v) an increase in export tariffs. (.....)

because,

eases

...)

1
2
3

19

- (30) The money's function called "Medium of exchange" is very closely associated with,
- (i) the transaction demand for money.
 - (ii) the precautionary motive based demand for money.
 - (iii) the speculative demand for money.
 - (iv) an inelastic demand for money.
 - (v) an elastic demand for money. (.....)
- (31) Which statement of the following includes items of reserve money?
- (i) Demand deposits held by the public with commercial banks and currency held by the public.
 - (ii) Demand deposits held by the public with commercial banks and currency with commercial banks.
 - (iii) Government agencies', deposits with the central bank and demand deposits held by the public.
 - (iv) Currency held by the public and currency with commercial bank.
 - (v) Currency held by public and time and saving deposits held by the public with commercial banks. (.....)
- (32) Suppose an individual withdraws Rs. 50000/- from deposit account in a commercial bank. If all else is constant, and the bank has statutory reserve requirement of 12% this transaction will directly reduce,
- | | |
|---------------------------------------|--------------------------------------|
| (i) bank deposits by Rs. 45000/- | (ii) bank deposits by Rs. 50000/- |
| (iii) the money supply by Rs. 45000/- | (iv) the money supply by Rs. 50000/- |
| (v) the money supply by Rs. 5000/- | (.....) 11..... |
- (33) According to the quantity theory of money, a 8% decrease in the nominal money supply will lead to,
- (i) a 8% decrease in the real money supply.
 - (ii) a 8% increase in the real money supply.
 - (iii) a 8% decrease in the general price level.
 - (iv) a 8% increase in the general price level.
 - (v) a 4% increase in the general price level. (.....) 11.....

- (34) "National security is the prominent example for a public good." A public good is a good that is,
- (i) non rivalrous in consumption.
 - (ii) non excludable in consumption.
 - (iii) non rivalrous and non-excludable in consumption.
 - (iv) non excludable and rivalrous in consumption.
 - (v) excludable and non rivalrous in consumption.
- (.....)
- (35) According to their relative importance in total expenditure, the main components of recurrent expenditure of Sri Lankan government (2017) can be ranked as,
- (i) Pension, interest payments, Salaries and wages.
 - (ii) Interest payments, Salaries and wages, Transfers to household.
 - (iii) Fertilizer subsidy, Samurdhi, Pension
 - (iv) Salaries and wages, transfers to house holds, interest payments,
 - (v) Transfers to households, Salaries and wages, Samurdhi
- (.....)
- (36) An appropriate fiscal Policy to combat a "Short term downfall of economic activities" would be,
- (i) an increase of the money supply
 - (ii) a decrease of the money supply.
 - (iii) an increase of government spending.
 - (iv) a decrease of government spending.
 - (v) an increase taxes.
- (.....)
- (37) A government decides to borrow from the general public in order to finance its extra spending on apprenticeship training schemes. Which types of macroeconomic policy are being used?
- (i) Monetary policy and supply side policy.
 - (ii) Fiscal policy and supply side policy.
 - (iii) Tax policy and monetary policy.
 - (iv) Public debt policy and monetary policy.
 - (v) Fiscal policy and public debt policy.
- (.....)

$$\begin{array}{l}
 \text{P}_e = 100 \\
 \text{P}_d = 90 \\
 \frac{\text{P}_e}{\text{P}_d} \times \frac{100}{100} = \frac{10000}{10000} = 10000 \\
 150 = 13500 \\
 \left. \begin{array}{l}
 \text{NX} = 10000 - 5000 = 5000 \\
 13500 - 5000 = 8500
 \end{array} \right\}
 \end{array}$$

- (38) The demand for a country's exports is price – elastic. What will be the effect of introducing export subsidies on its balance of trade and on its terms of trade.

	balance of trade	terms of trade	
(i)	improve	improve	$\frac{\text{Export Price Index} - 100}{\text{Import Price Index} 100} = \frac{90}{100} = 0.9$
(ii)	improve	worsen	
(iii)	worsen	improve	
(iv)	improve	remains unchanged	
(v)	remains unchanged	improve	(.....)

- (39) Which of the following is a reason for trade among countries?

- (i) differences of foreign exchange rate among countries.
- (ii) differences of languages among countries.
- (iii) differences of standard time among countries.
- (iv) differences of technological knowledge among countries.
- (v) differences of cultural behaviours among countries.

- (40) At present (2018/2017) Sri Lanka's main import trade partners are,

- (i) China and Singapore
- (ii) India and Singapore
- (iii) China and India
- (iv) India and Middle East
- (v) China and Middle East

- (41) What are the three main sources of foreign workers remittances to Sri Lanka in recent years.

(2017/2018)

- (i) Middle East, North America, European Union
- (ii) Middle East, European Union, South East Asia
- (iii) Middle East, Australia and New Zealand, European Union.
- (iv) European Union, Australia and New Zealand, Middle East
- (v) European Union, North America, Middle East

- (42) Suppose a Sri Lankan household receives a \$1000 from one of family member working in South Korea. How would this transaction be recorded in the balance of payment of Sri Lanka on double entry principle?

- (i) A debit in financial account and debit in capital account.
- (ii) A debit in financial account and credit in current account.
- (iii) A debit in financial account and credit in financial account.
- (iv) A debit in capital account and credit in financial account.
- (v) A debit in financial account and credit in financial account.

(43) A newspaper headline stated that the Sri Lankan spice industry has been affected by the strength of the Sri Lankan rupee. (47)

What would not be an effect caused by a strong rising Sri Lankan rupee?

- (i) Reduced foreign demand for Sri Lankan spices.
- (ii) The price of exports of Sri Lankan spices becomes more expensive.
- (iii) The price of foreign competitive spices became less expensive. ✓
- (iv) The price of foreign competitive spices became more expensive. ✗
- (v) Attract more domestic investment on spice industry. (.....)

(44) Which one of the following combinations is true for Sri Lanka's ranking in the Global Competitiveness Index and the Human Capital Index in 2018? (48)

Global Competitiveness Index Human Capital Index

(i)	71 out of 140	73 out of 157.
(ii)	<u>85 out of 140</u>	<u>74 out of 157.</u>
(iii)	140 out of 140	157 out of 157.
(iv)	1 out of 140	1 out of 157.
(v)	139 out of 140	156 out of 157. (11)

(45) "Although Sri Lanka is a middle income country, authorities have made little efforts to improve the standing of the passport".

Source:- visa requirements for Sri Lankan citizens, Wikipedia.

Which one of the following is true for Sri Lankan's ranking in the Henley Passport Index, in 2018. (49)

- (i) 50th out of 104 places. (ii) 95th out of 104 places.
- (iii) 100th out of 104 places. (iv) 104th out of 104 places.
- (v) 2nd out of 104 places. (.....)

(46) The accurate answer that shows real economic growth rate, per capital GDP of Sri Lanka in 2017, 2018 is,

	2017		2018	
	Real economic growth rate (%)	per capital (GDP)	Real economic growth rate (%)	per capital (GDP)
(i)	5.4%	\$ 4500	3.4%	\$ 5000
(ii)	3.4%	\$ 4104	3.2%	\$ 4102
(iii)	3.4%	\$ 4104	4.4%	\$ 4400
(iv)	3.4%	\$ 4104	5.4%	\$ 4500
(v)	5.4%	\$ 4500	4.4%	\$ 4400

(47) What would be an opportunity cost of growth in an economy?

- (i) the need for greater government intervention.
- (ii) the need for an increased level of imported raw materials.
- (iii) the faster growth of services than of manufacturing.
- (iv) the faster growth of manufacturing than of services.
- (v) the reduction of consumption if growth requires investment.

(.....)

Key reason

(48) Which one of the following combinations is true for Sri Lanka's departures for foreign employment by gender in 2018,

Female	Male
(i) 61%	39%
(ii) 39%	61%
(iii) 90%	10%
(iv) 10%	90%
(v) 50%	50%

(49) "The highest labour productivity is recorded from the service sector in Sri Lanka. Labour productivity is measured in Sri Lanka as,

- (i) Gross value added (GVA) (in 2010 prices) per hour worked.
- (ii) Gross value added (GVA) (in 2018 prices) per hour worked.
- (iii) Gross value added (GVA) (in 2015 prices) per day worked.
- (iv) Gross value added (GVA) (in 2013 prices) per week worked.
- (v) Gross value added (GVA) (in 2011 prices) per month worked.

(.....)

(50) At present the stated Economic Policy of Sri Lanka is,

- (i) Knowledge based open market economic policy.
- (ii) Knowledge based social market economic policy.
- (iii) Knowledge based closed market economic policy.
- (iv) Good governance based market economic policy.
- (v) Economic nationalism.

(.....)