www.AlevelApi.com

සියලු ම හිමිකම් ඇවිරිණි / முழுப் பதிப்புரிமையுடையது / All Rights Reserved]

නව නිර්දේශය/புதிய பாடத்திட்டம்/New Syllabus

NEW

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2020
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2020
General Certificate of Education (Adv. Level) Examination, 2020

ආර්ථික විද්‍යාව I
பொருளியல் I
Economics I

21 E I

පැය දෙකයි
இரண்டு மணித்தியாலம்
Two hours

Instructions:

- *Answer **all** the questions.*
- *Write your **Index Number** in the space provided in the answer sheet.*
- *Instructions are given on the back of the answer sheet. Follow those carefully.*
- *In each of the questions **1** to **50**, pick one of the alternatives from (1), (2), (3), (4), (5) which **is correct** or **most appropriate** and **mark your response on the answer sheet with a cross** (×) in accordance **with the instructions given in the back of the answer sheet**.*

1. A free good has which one of the following characteristics?
(1) It has some degree of scarcity in relation to demand.
(2) It has no opportunity cost in supply.
(3) Its consumption or production does not generate any externality.
(4) It is supplied by the government free of charge.
(5) It is supplied by the government itself because its consumption is socially desirable.

2. Economists refer the term 'capital' exclusively to
(1) human-made goods which are used to produce other goods and services.
(2) money used to purchase capital in the form of stocks and bonds.
(3) savings accumulated by households to purchase capital.
(4) money used by an entrepreneur to purchase capital.
(5) real estate, forests, metals, and mineral resources.

3. What is meant by the statement that every economic system faces the problem of scarcity?
(1) The quantities available of some resources in the society exceed the demand for them.
(2) Mineral deposits are available only in finite amounts in a country.
(3) Countries have failed to achieve full employment due to scarcity of resources.
(4) The productive resources are not sufficient to satisfy all wants of the society.
(5) Economic systems have cyclically recurring expansionary phases during which scarcity of resources occurs.

4. The allocatively efficient point on a production possibilities curve is achieved where
(1) the minimum quantity of inputs are used to produce each good.
(2) each good is produced at a level where marginal benefits equal marginal cost.
(3) large amounts of capital goods are produced relative to consumer goods.
(4) large amounts of consumer goods are produced relative to capital goods.
(5) each good is produced at a level where price of the good exceeds marginal benefits.

5. The Law of Demand states that
(1) a decrease in the price of a good, shifts the demand curve of the good leftward.
(2) when other things remain the same, the higher the price of a good, the lower is the quantity demanded.
(3) when other things remain the same, the higher the price of a good, the higher is the quantity demanded.
(4) a decrease in the price of a good, shifts the demand curve of the good rightward.
(5) an increase in the price of a good, shifts the demand curve of the good leftward.

[See page two

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාල සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත .

6. The quantity demanded of a good is
   (1) the amount of a good that consumers plan to purchase at a particular price.
   (2) independent of the price of the good and the level of income of the consumer.
   (3) independent of consumers' buying plans.
   (4) always equal to the equilibrium quantity.
   (5) the amounts that the consumers are willing to buy at different prices.

7. Which of the following causes an increase in the quantity supplied of good X?
   (1) An increase in the price of good X while other things remain unchanged
   (2) An increase in the price of good Y which is a complement in the production of good X
   (3) An improvement in the technology for producing good X
   (4) A reduction in the price of resources used to produce good X
   (5) A decrease in the demand for a substitute for good X

8. In a competitive market if both demand and supply increase, what will be the effect on the equilibrium price and quantity?
   (1) The price will definitely increase but the quantity could either increase, decrease, or remain the same.
   (2) The quantity will definitely increase but the price could either rise, fall or remain the same.
   (3) The quantity will definitely decrease but the price could either rise, fall or remain the same.
   (4) The price will definitely decrease but the quantity could either increase, decrease, or remain the same.
   (5) Both the price and the quantity will definitely increase.

9. Suppose the market demand function for a certain consumer good is represented by $Q_D = 500 - 5P$. What is the arc price elasticity of the demand of this good over the price range of Rs. 20 and Rs. 30?
   (1) – 0.25 (2) – 0.33 (3) – 0.43 (4) – 0.52 (5) – 0.66

10. Demonstrating their generosity at a time of national distress, vegetable farmers in a country decide to sell as much vegetables as consumers want to buy, at half the competitive market equilibrium price. As a result of this action
    (1) economic surplus will fall.
    (2) economic surplus will increase.
    (3) economic surplus will not change.
    (4) consumer surplus will fall.
    (5) producer surplus will increase.

11. If the income effect of a price change is negative but the substitution effect dominates, then the good is
    (1) a Giffen good.
    (2) a normal good.
    (3) an essential good.
    (4) an inferior good.
    (5) a luxury good.

12. When a price ceiling is imposed in a market,
    (1) a persistent shortage results.
    (2) a persistent surplus results.
    (3) sellers of the product are made better off.
    (4) no one is made better off.
    (5) quantity supplied is greater than the quantity demanded.

13. Which one of the following is **not** a problem associated with the imposition of effective price floors on farm products?
    (1) chronic excess supply in the market
    (2) the transfer of income from non-agricultural taxpayers to farmers
    (3) large subsidies paid by the government
    (4) a higher price for consumers
    (5) the emergence of black markets for agricultural commodities

[See page three

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාළ සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත .

14. A market demand function for a product sold in a competitive market is given by the equation $Q_D = 180 - 2P$. If the equilibrium price in the market is Rs. 65, the value of the consumer surplus is
(1) Rs. 625. (2) Rs. 1 000. (3) Rs. 1 250. (4) Rs. 3 250. (5) Rs. 4 500.

15. Increasing returns to scale reflect a technological characteristic under which the percentage increase in a firm's output
(1) exceeds the percentage increase in its inputs.
(2) is less than the percentage increase in its inputs.
(3) is equal to the percentage increase in its inputs.
(4) exceeds the percentage increase in its fixed inputs.
(5) is less than the percentage increase in its fixed inputs.

16. Which of the following statements is correct?
(1) Economic profit = accounting profit
(2) Economic cost = explicit cost + implicit cost
(3) Economic cost = explicit cost – implicit cost
(4) Opportunity cost = economic profit
(5) Accounting cost = implicit cost

17. Which of the following is necessarily a characteristic of an oligopolistic market?
(1) Free entry into and exit from the market
(2) A few large scale producers
(3) Only one producer of a good with no close substitutes
(4) A homogeneous product
(5) No opportunities for collusion between firms

18. If a firm faces a perfectly elastic demand curve for its product, then
(1) that firm is not a price taker.
(2) firm is able to lower its price to increase sales.
(3) firm is able to raise its price to increase total revenue.
(4) firm's marginal revenue curve is horizontal at the market price.
(5) firm will always make zero economic profits.

19. The difference between Gross Value of Output (GVO) and Gross Value Added (GVA) is
(1) Consumption of fixed capital.
(2) Intermediate consumption.
(3) Net indirect taxes.
(4) Net primary income.
(5) Primary inputs.

www.alevelapi.com

20. In national accounting, which one of the following activities is excluded from the production boundary?
(1) Services of unlicensed medical practitioners
(2) Services of owner-occupied dwellings
(3) Goods produced by households
(4) Provision of education free of charge by the government
(5) Caring for sick and old people by the members of the household

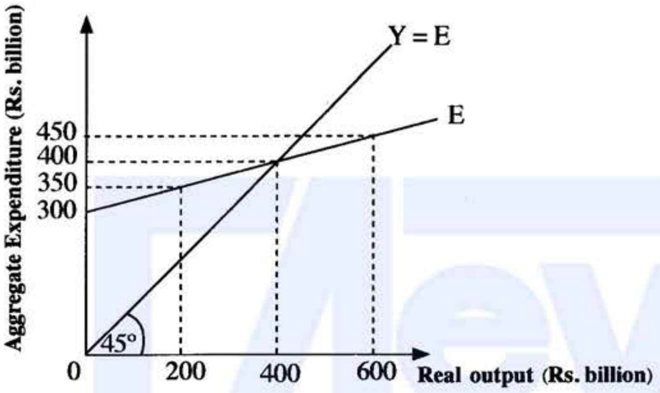
21. The main components of primary income are
(1) compensation of employees, gross operating surplus and net taxes on production and imports.
(2) compensation of employees, operating surplus and other net taxes on production.
(3) compensation of employees, gross operating surplus and mixed incomes.
(4) compensation of employees, operating surplus and consumption of fixed capital.
(5) compensation of employees, gross operating surplus and other net taxes on production.

[See page four

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාළ සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත .

22. If personal income exceeded national income in a particular year, it can be concluded that
    (1) the amount of transfer payments exceeded the sum of social security contributions, corporate income taxes and undistributed corporate profits.
    (2) the sum of social security contributions, corporate income taxes and undistributed corporate profits exceeded transfer payments.
    (3) the sum of social security contributions and corporate income taxes exceeded indirect taxes.
    (4) the amount of transfer payments exceeded the sum of social security contributions, corporate income taxes and indirect taxes.
    (5) the sum of corporate income taxes and indirect taxes exceeded the sum of transfer payments and undistributed profits.

23. The diagram below displays an aggregate expenditure (E) function for a hypothetical economy.



At the real output level of Rs. 600 billion, there is
    (1) an accumulation of unplanned stocks of Rs. 200 billion.
    (2) a reduction of unplanned stocks of Rs.200 billion.
    (3) an accumulation of unplanned stocks of Rs. 150 billion.
    (4) a reduction of unplanned stocks of Rs. 150 billion.
    (5) a macroeconomic equilibrium in the economy.

24. In an economy with a positive output gap
    (1) there is an unutilized productive capacity.
    (2) there is cyclical unemployment.
    (3) actual output is less than potential output.
    (4) there is a slowdown in the pace of economic activities.
    (5) demand-pull inflationary pressures exist.

www.alevelapi.com

25. If the aggregate savings function for an economy is $S = -200 + 0.25Y$, then the aggregate consumption function of this economy is
    (1) $C = -200 + 0.75Y$
    (2) $C = 200 - 0.25Y$
    (3) $C = 200 + 0.25Y$
    (4) $C = -200 - 0.75Y$
    (5) $C = 200 + 0.75Y$

26. Suppose that in a hypothetical economy, real GDP equals Rs. 80 trillion, nominal GDP equals Rs. 240 trillion, and the general price level equals 3. If the money supply in this economy is Rs. 30 trillion, then the velocity of circulation of money is
    (1) 8   (2) 10   (3) 30   (4) 80   (5) 90

27. Assume that one of the commercial banks in the banking system has excess reserves of Rs. 400 million and the statutory reserve ratio is 20%. Meanwhile, a customer of this bank deposits Rs. 25 million in his current account and the bank lends Rs. 120 million to another customer. How much additional lending can be granted by this bank now?
    (1) Rs. 2 125 million
    (2) Rs. 2 005 million
    (3) Rs. 425 million
    (4) Rs. 305 million
    (5) Rs. 300 million

[See page five

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාල සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත.

28. What are the main objectives of the Central Bank of Sri Lanka in implementing monetary policy at present?
(1) Price stability and financial system stability
(2) Price stability and full employment
(3) Price stability and sustainable development
(4) Full employment and more equal distribution of income
(5) Price stability and reduction in the burden of public debt

29. Suppose the statutory reserve requirement is 10% and the Central Bank conducts an open market purchases of Rs. 300 million from the commercial banks. What is the maximum possible change in the money supply resulting from this purchase?
(1) Increase of Rs. 300 million
(2) Decrease of Rs. 300 million
(3) Increase of Rs. 3 000 million
(4) Decrease of Rs. 3 000 million
(5) Decrease of Rs. 2 700 million

30. Monetary policy affects aggregate demand through changes in
(1) direct and indirect tax receipts.
(2) share prices.
(3) export demand.
(4) consumption and investment spending.
(5) government spending.

31. When an externality exists in a free market,
(1) the equilibrium price is determined at an artificially high level.
(2) the equilibrium price is determined at an artificially low level.
(3) market cannot reach equilibrium.
(4) market equilibrium does not ensure socially optimum resource allocation.
(5) the consumers of a product incur extra costs in terms of maintenance and insurance.

32. Market fails to produce public goods because
(1) there is no demand for such goods.
(2) it is impossible for the producer to charge a price from the consumers of such product.
(3) such products usually entail large external costs in production and generate external benefits in consumption.
(4) their production leads to increase income inequality.
(5) private firms generally have a higher production cost than the public sector.

33. The main components of the recurrent expenditure of the government of Sri Lanka are
(1) interest payments, acquisition of real assets, salaries and wages and transfers to households.
(2) interest payments, salaries and wages, capital transfers to public corporations and pensions.
(3) interest payments, salaries and wages, current transfers to households and current transfers to public corporations.
(4) interest payments, salaries and wages, amortisation payments and current transfers to households.
(5) interest payments, salaries and wages, acquisition of financial assets and fertilizer subsidy.

34. A regressive income tax is one where the poor
(1) have a lower percentage of their income taxed than the rich.
(2) pay a larger rupee amount in taxes than the rich.
(3) pay a tax that varies proportionately with their income.
(4) have a higher percentage of their income taxed than the rich.
(5) are able to use tax revenue to purchase essential goods.

35. The prominent source of revenue of the central government of Sri Lanka at present is
(1) taxes on income.
(2) taxes on production and expenditure.
(3) profits, dividends and interest.
(4) gross receipts of trading enterprises.
(5) lottery revenues.

[See page six

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාල සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත .

36. According to the principle of comparative advantage, worldwide output and consumption levels will be highest when goods are produced in countries where which of the following is true?
(1) Opportunity costs are lowest
(2) Absolute advantages are highest
(3) The balance of trade is in a surplus
(4) The exchange rate is falling
(5) Transportation costs are almost zero

37. In country A, it takes 5 labour hours to produce one unit of cloth and 10 labour hours to produce one unit of rice. In country B, it takes 7 labour hours to produce one unit of cloth and 21 labour hours to produce one unit of rice. If the two countries have decided to specialize according to each country's comparative advantage, at what exchange rate would the country A be willing to trade with country B?
(1) More than 2 units of cloth per unit of rice
(2) More than 2 units of rice per unit of cloth
(3) More than 3 units of cloth per unit of rice
(4) More than 3 units of rice per unit of cloth
(5) More than 0.5 units of rice per unit of cloth

38. Which **two** of the following arguments are most likely to be used to justify protectionism?
A - To protect high cost domestic industries
B - To protect strategically important industries
C - To protect infant industries
D - To protect environmental standards
E - To maximize government tax revenue
(1) A and D
(2) B and C
(3) B and D
(4) C and D
(5) D and E

39. In which account of the Balance of Payments would an inflow of foreign direct investment be recorded?
(1) Primary income account
(2) Secondary income account
(3) Capital account
(4) Current account
(5) Financial account

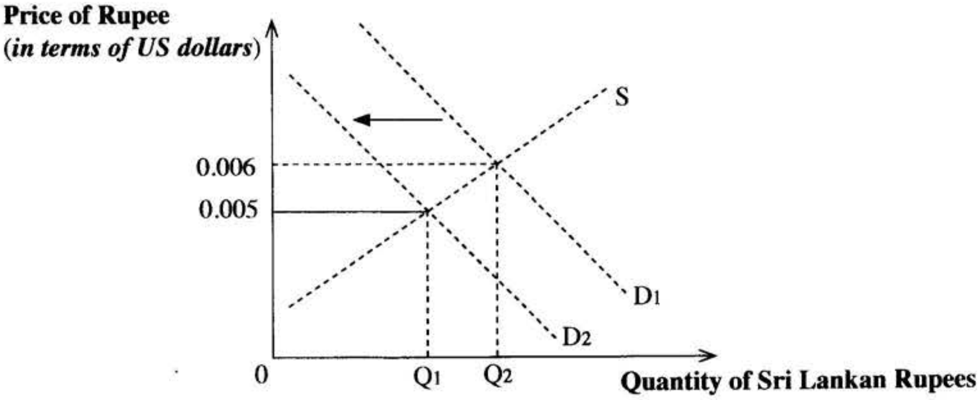
40. Floating exchange rates refer to
(1) the exchange rates failing to adjust when distabilized by shocks to the foreign exchange market.
(2) exchange rates maintained by the government through the interventions in the exchange market.
(3) exchange rates determined by the demand for and supply of a country's currency.
(4) a situation where the excess demand for a country's currency causes its devaluation.
(5) a situation where the excess supply of a country's currency causes its appreciation.

41. The solution proposed by the International Monetary Fund (IMF) which was established to help countries that have Balance of Payments and foreign exchange reserve problems was
(1) the revaluation of the country's currency.
(2) lending the country foreign exchange reserves through re-purchase and reverse re-purchase agreements.
(3) helping to re-establish the country's exchange rate at a higher level.
(4) purchasing the country's assets abroad and converting them to foreign currencies.
(5) helping the country to find new markets for exports.

[See page seven

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාල සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත .

42. The diagram below shows the value of Sri Lankan Rupee in terms of US dollars.



What will be the effect of the shift in demand for Sri Lankan Rupees from D_1 to D_2?
(1) Sri Lankan exports to the USA will be more expensive.
(2) It will be cheaper for the Sri Lankan tourists to visit USA.
(3) Sri Lankan Treasury Bonds will be cheaper for the US investors.
(4) Sri Lankan Treasury Bonds will be more expensive for the US investors.
(5) The cost of imports from USA will decrease.

43. Economic development means
(1) Economic growth with Balance of Payment surplus.
(2) Economic growth plus structural and qualitative changes.
(3) Improvement in the living standards of the urban population.
(4) Sustainable increases in Gross National Income (GNI).
(5) Equitable income distribution along with a reduction in the poverty level.

44. Sustainable Development implies
(1) development that provides for economic and social viability for the present even if that results in environmental degradation for the future.
(2) development that provides environmental sustainability for the present even if that results in economic and social degradation for the future generations.
(3) development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
(4) full exploitation of natural resources with sustained increase in real GDP.
(5) development that meets the needs of the future generations even if the present society's needs go unmet.

45. The 'absolute' poverty line is drawn to show
(1) the most extreme level of poverty that is found in a society.
(2) the estimated minimum level of income needed for subsistence.
(3) the number of households that are poor relative to the norms and values of their culture.
(4) the areas of a city in which poor is concentrated.
(5) the average monthly income of the lowest 10% of the population.

46. The Lorenz Curve is used to measure which of the following?
(1) The ratio of income to wealth in different countries
(2) The ratio of public goods to private goods in different countries
(3) The ratio of income inequality to income equality in different countries
(4) The ratio of the highest to lowest percentage of income receivers of a country
(5) The ratio of non-working age population to the working-age population

[See page eight

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාල සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත .

47. Under which type of unemployment does the marginal productivity of worker is zero or closer to zero?
(1) Disguised unemployment
(2) Involuntary unemployment
(3) Seasonal unemployment
(4) Structural unemployment
(5) Frictional unemployment

48. The World Bank's 'Ease of Doing Business' indicators
(1) rank countries by the size of their foreign direct investment as host countries.
(2) rank countries by the size of their foreign direct investment as source countries.
(3) rank the industries in which countries have comparative advantage.
(4) measure the ease of starting and running a business in many countries.
(5) are a hindrance to economic development because they deter investment in poor countries.

49. Which group correctly indicates the sectoral composition of Sri Lanka's GDP in 2018?

	Agriculture, Forestry and Fishing	Industries	Services
(1)	7.0	26.1	57.7
(2)	7.6	25.8	60.4
(3)	8.2	24.0	60.1
(4)	8.9	27.8	64.4
(5)	10.2	24.5	60.2

50. The top four countries contributed to FDI inflows in Sri Lanka in the year 2018 were
(1) China, Hong Kong, India and Malaysia.
(2) China, Singapore, Japan and Switzerland.
(3) China, India, Japan and Norway.
(4) China, Canada, Italy and USA.
(5) China, India, Malaysia and Germany.

* * *

www.alevelapi.com

උසස් පෙළ විද්‍යා/ගණිත/කලා/වාණිජ හා තාක්ෂණ විෂය ධාරාවන්ට අදාළ සියලුම ප්‍රශ්න පත්‍ර/සටහන් හා තවත් බොහෝ දෑ ලබා ගැනීමට පිවිසෙන්න www.alevelapi.com වෙත .