



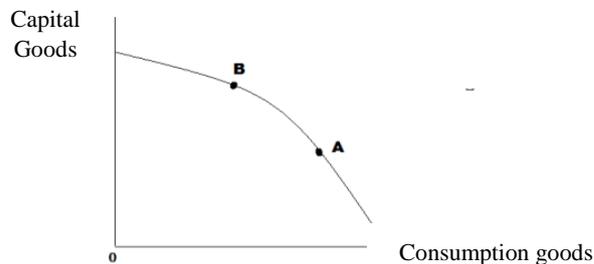
**Provincial Department of Education  
Northern Province  
General Certificate of Education (Adv.Level) Examination  
Practice Examination 2020  
Economics- Part 1**



**Grade 13 (2020)**

**Time: 2 Hours**

01. Which of the following is a positive statement,
- 1) Import tariff must be increased on vehicle to reduce road traffic
  - 2) Inflation had increased by small percentage in 2019 compared with 2018
  - 3) The government should encourage private sector activities to solve the problem of current unemployment
  - 4) The government debt will increase , if VAT is decreased
  - 5) New government economic policies will lead to develop the country
02. Forestry and fisheries are the main resources of a country. Above resources included in,
- 1) Economic resources
  - 2) Non-economic resources
  - 3) Renewable resources
  - 4) Natural resources
  - 5) Scarcity
03. The following diagram shows that the production point of production possibility curve of a country shifts from A to B. How will present and future living standard be in this situation?



Present living standard	Future living standard
1) Decrease	Decrease
2) Decrease	Increase
3) Constant	Decrease
4) Constant	Increase
5) Increase	Decrease

04. Which of the following is a main feature of market economy
- 1) Price mechanism
  - 2) central planning
  - 3) Social welfare
  - 4) Government intervention
  - 5) Government property

05. The objective of economic system is,
- 1) building up relationship among decision making groups
  - 2) decision making on production , exchange and consumption
  - 3) solving scarcity problem
  - 4) providing incentives to producer and consumer
  - 5) solving basic economic problem
06. Which of the following factor shift rightward the demand curve of a good?
- 1) increasing price of a particular good
  - 2) decreasing price of a particular good
  - 3) increasing consumer income
  - 4) decreasing consumer income
  - 5) increasing quantity demanded of a particular good
07. Which of the following is described closed substitutes each other?
- 1) positive income elasticity
  - 2) cross elasticity of demand which have less than Zero
  - 3) price elasticity will be less than one
  - 4) positive cross elasticity of demand
  - 5) the demand curve is parallel to horizontal axis
08. Which of the following does not consider as constant factor to draw the demand curve?
- 1) consumer real income
  - 2) consumer's taste
  - 3) price of substitute goods
  - 4) price of particular goods
  - 5) price of complementary good
09. Although the demand for a good does not change, its quantity demanded increase due to the decrease in price. Which of the following is not correct in the above information?
- 1) increase in supply of a particular good
  - 2) decrease in consumer level of income
  - 3) decrease in production cost
  - 4) improvement in technology
  - 5) increase in number of producer
10. Which price of rice increase, consumer expenditure on rice remains constant? Which of the following is correct in this relation?
- 1) Price elasticity of rice is elastic
  - 2) Price elasticity of rice is inelastic
  - 3) Price elasticity of rice is zero
  - 4) Price elasticity of rice is infinite
  - 5) Price elasticity of rice is equal one

11. The goods A and B are produced and supplied to market by a firm. The price elasticity of demand are given below

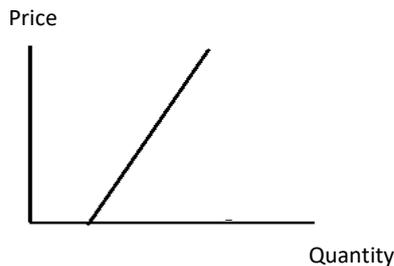
A good – (- 2.23)

B good- (-0.84)

When price of this good increase by 10% and 20%

Total revenue of A good	Total revenue of B good
1) increase	decrease
2) decrease	increase
3) increase	increase
4) decrease	decrease
5) decrease	constant

12. The following diagram shows market supply curve of a good in a market



According to the above diagram,

- 1) Price elasticity of supply will be constant at all quantity supplied
- 2) Price elasticity of supply will be elastic at all quantity supplied
- 3) When quantity supplied increase , price elasticity of supply will decrease
- 4) When quantity supplied increase , price elasticity of supply will increase, but it will be inelastic
- 5) When quantity supplied increase, price elasticity of supply will increase and will be elastic

13. Price elasticity of demand of some goods are given below.

Goods	Price elasticity of demand
A	0.0
B	-0.75
C	-1.0
D	-1.75

If price of above goods decrease by 4%, in which good's sales income will increase?

- 1) A                      2) B                      3) C                      4) D                      5) B,C

14. Consider that the particular good are sold at competitive market. If a unit tax is imposed on goods production, which of the following is correct?

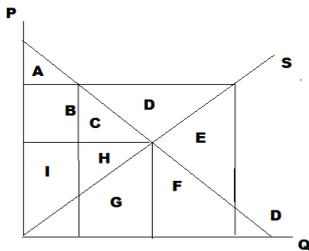
- 1) If the demand curve is perfectly elastic, price will not increase by the amount of tax.
- 2) If the demand curve is perfectly inelastic, price will not increase by the amount of tax.
- 3) If the demand curve is more elastic, consumer tax burden will increase
- 4) If the demand curve is less elastic, consumer surplus will increase
- 5) Consumer surplus will increase by the effect of tax

15. The government provides subsidy payment to increase consumption on a good. In which type of demand and supply elasticity, will be efficiency for it

	Price elasticity of demand	Price elasticity of supply
1)	inelastic	elastic
2)	elastic	elastic
3)	inelastic	inelastic
4)	perfectly elastic	perfectly inelastic
5)	perfectly inelastic	perfectly elastic

16. The following diagram shows that economic effect of purchasing excess supply at price support system after the introduction of minimum control price of a particular good.

What is the value of social welfare loss?



- 1) D      2) E      3) CHGFE      4) CH      5) CDEFGH

17. When output increase at decreasing rate in short – run production process, which of the following can be seen?

- 1) Marginal product will increase
- 2) Marginal cost will increase
- 3) Average product will be negative
- 4) Marginal product will be negative
- 5) Average fixed cost will increase

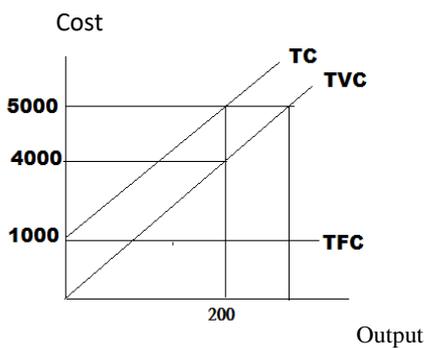
18. In which situation, law of diminishing marginal returns will arise?

- 1) When total production increases
- 2) When total production decreases
- 3) When marginal product increases
- 4) When marginal product decreases
- 5) When average product increases

19. In which situation, perfectly competitive firm will exit from market to reduce loss

- 1) When total revenue is equal to total cost
- 2) When total revenue is equal to total variable cost
- 3) When price of a particular good is equal to total cost
- 4) When price of a particular good is equal to average variable cost
- 5) When price of a particular good is less than average variable cost

20. When the firm is produced 200 units what is the average fixed cost per unit of output?



- 1) 1000      2) 5      3) 50      4) 25      5) 100

21. In which of the following type of market structure will the firms be mutual inter dependence?

- 1) oligopoly      2) monopoly  
 2) perfectly competition      4) natural monopoly  
 3) monopolistic competition

22. Which of the following occur at recession stage of a business cycle?

- 1) increasing unemployment and real gross domestic product  
 2) decreasing unemployment and real gross domestic product  
 3) decreasing real domestic product and increasing unemployment  
 4) decreasing real domestic product and increasing inflation  
 5) increasing inflation and real gross domestic

23. What is meant by producers' price?

- 1) The producers' price is the price receivable by the producer when releasing the product from the production place towards retailers.  
 2) The actual price paid by consumers  
 3) The producers' price is the price maintain by producer to produce and sell  
 4) Basic price  
 5) Current year price

24. The reason for that intermediate goods' value does not included in the calculation of gross domestic production.

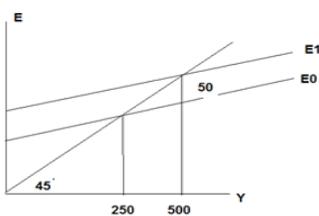
- 1) This is consumed at current year  
 2) It is difficult to collect information related to intermediate good which is produced in an economy.  
 3) These are only sold at goods market.  
 4) To prevent goods which is reduced social welfare  
 5) These values are added two times so Gross domestic product will be over estimation.

25. Which of the following does not included to measure Gross national income?

- 1) Employee compensation  
 2) Dividend for owners of companies  
 3) Undistributed profits  
 4) Rental income is paid to land owner  
 5) Property income is paid to resource owners

26. The consumption equation of a simple economy change from  $C = 400 + 0.6y$  to  $C = 500 + 0.75Y$ . What is the value of change in equilibrium level of income?
- 1) Increase by 2000
  - 2) Decrease by 2000
  - 3) Increase by 1000
  - 4) Decrease by 1000
  - 5) Increase by 400
27. Which of the following is correctly described injections of an open economy?
- 1) Investment, Government purchases, export
  - 2) Savings, Direct tax, Imports
  - 3) Savings, Government purchases, Imports
  - 4) Investment, Direct tax, Imports
  - 5) Investment, Government purchases, Imports
28. Economic data of a country are given below,
- |                     |    |            |    |
|---------------------|----|------------|----|
| Imports             | 30 | Direct tax | 35 |
| Savings             | 45 | Exports    | 20 |
| Government purchase | 30 | Investment | 40 |
- According to the above data, which of the following is correct?
- 1) There are budget deficit
  - 2) Economy achieve at macro-economic equilibrium level
  - 3) Injections is higher than withdrawals
  - 4) Withdrawals is higher than injections
  - 5) Economy will grow
29. Which of the following is caused aggregate demand?
- 1) Increase in government expenditure
  - 2) Total import increases
  - 3) Increase in tax
  - 4) Total export increases
  - 5) Increase in interest rate
30. When income increases from 15000 to 25000, consumption increases from 12000 to 20000 so what is the value of multiplier?
- 1) 2
  - 2) 3
  - 3) 4
  - 4) 5
  - 5) 2.5

31.



According to the above graph shows that change in equilibrium due to the change in investment. Which of the following is correctly described marginal propensity to consume (MPC) and multiplier (K) from this graph?

- 1) 0.8, 4
- 2) 0.6, 2.5
- 3) 0.75, 4
- 4) 0.9, 10
- 5) 0.8, 5

32. Which of the following is caused as supply side factor to influence inflation of an economy?

- 1) Increase in money supply
- 2) Increase in gross domestic capital formation
- 3) Increase in payment for factor of production
- 4) Increase in government purchases
- 5) Increase in net export

33. The value of money of an economy is 4000 MRS velocity of money is 4 and output is 800 units. What is the value of general price level?

- 1) 5                      2) 10                      3) 15                      4) 20                      5) 25

34. If the money supply ( $M_1$ ) of a given economy is 1000 million, currency held by public is 200 million and required reserve ratio is 25% , what is the value of money multiplier?

- 1) 4                      2) 0.25                      3) 1.25                      4) 2.5                      5) 2

35. What is the final target of central bank in the implementation of monetary policy?

- 1) Controlling interest rate
- 2) Controlling money supply
- 3) Controlling inflation
- 4) Controlling monetary base
- 5) Increasing economic growth

36. If central bank is sold government bond

	Money supply	Bank reserve	Monetary base
1)	Decrease	Decrease	Decrease
2)	Decrease	Decrease	Increase
3)	Decrease	Increase	Increase
4)	Increase	Increase	Increase
5)	Increase	Decrease	Decrease

37. Which of the following is not considered as assets of commercial bank?

- 1) Cash in hand
- 2) Demand deposit
- 3) Foreign currency
- 4) Deposits with central bank
- 5) Treasury bills

38. The demand deposit of a commercial banking system is 50000, cash reserve is Rs 12000 and excess reserve is Rs 2000, what is the value of deposit multiplier?

- 1) 1                      2) 2                      3) 3                      4) 4                      5) 5

39. Open market operation means,

- 1) Selling and purchasing goods at Colombo share market
- 2) Providing loan to commercial bank by the central bank
- 3) Purchasing and selling government securities by the central bank
- 4) Purchasing foreign bond by the government
- 5) Providing subsidies by the government to encourage exports

40. Consider that the statutory reserve rate is 20% and commercial bank received a new deposit as 5000. Which of the following changes will occur in the balance sheet?

	liabilities	Required reserve
1)	Increase by 5000	Increase by 4000
2)	Increase by 5000	Increase by 1000
3)	Increase by 5000	constant
4)	decrease by 5000	decrease by 1000
5)	increase by 5000	decrease by 4000

41. The main feature of public good is non- excludability. This means that,

- 1) Public goods which provide same benefit to all consumers
- 2) There are no opportunity cost by providing public goods
- 3) Inability to prevent consumption from the people who do not pay for the considering good
- 4) The government does not impose tax to provide public good
- 5) These are no opportunity cost to provide public goods

42. Which of the following is a public good?

- 1) National defense
- 2) High ways
- 3) Education
- 4) Health
- 5) Transport

43. Which of the following is considered as market failure?

- 1) The situation where demand and supply does not equal
- 2) The situation where resources are not distributed efficiency by market
- 3) The situation where production firms leave from market
- 4) The situation where public goods does not provide at enough level
- 5) The situation where there are an inflation

44. The elements of capital expenditure base on economic classification are

- 1) Acquisition of real capital, capital transfers and under expenditure
- 2) Acquisition of real capital, capital transfers and interest payment
- 3) Acquisition of real capital, capital transfers loan installments
- 4) Acquisition of real capital, current transfers and under expenditure
- 5) Construction , capital transfers and under expenditure

45. What are the instruments of government fiscal policy?

- 1) Money supply, full employment and government revenue
- 2) Government revenue, government expenditure and government debt
- 3) Government revenue, government expenditure and government saving
- 4) Equity, full employment, economic growth
- 5) Equity, full employment, economic development

46. Largest contribution of government recurrent expenditure of Srilanka in 2018 is?

- 1) Interest payment
- 2) Defense expenditure
- 3) subsidy for consumer
- 4) Education
- 5) payment for salary

47. The largest contribution of tax revenue of government in 2018 is?

- 1) VAT
- 2) Income tax
- 3) excise tax
- 4) Import duty
- 5) Others

48. The following data are given for you

Government revenue with grants	180000
Grants	20000
Current expenditure	210000
Interest payment	15000
Loan installment	25000
Capital expenditure	220000

According to the above data, the balance of current expenditure and primary account balance are,

- 1) -50000,-250000
- 2) -30000, -250000
- 3) -50000, -235000
- 4) -30000,-235000
- 5) -50000, -215000

49. According to the national consumer price index of Srilanka in the year of 2018, the inflation rate is,

- 1) 3.2
- 2) 4.3
- 3) 5.5
- 4) 2.1
- 5) 6.6

50. The government tax revenue is in the year of 2018,

- 1) 12.4
- 2) 13.3
- 3) 11.9
- 4) 18.6
- 5) 19.2