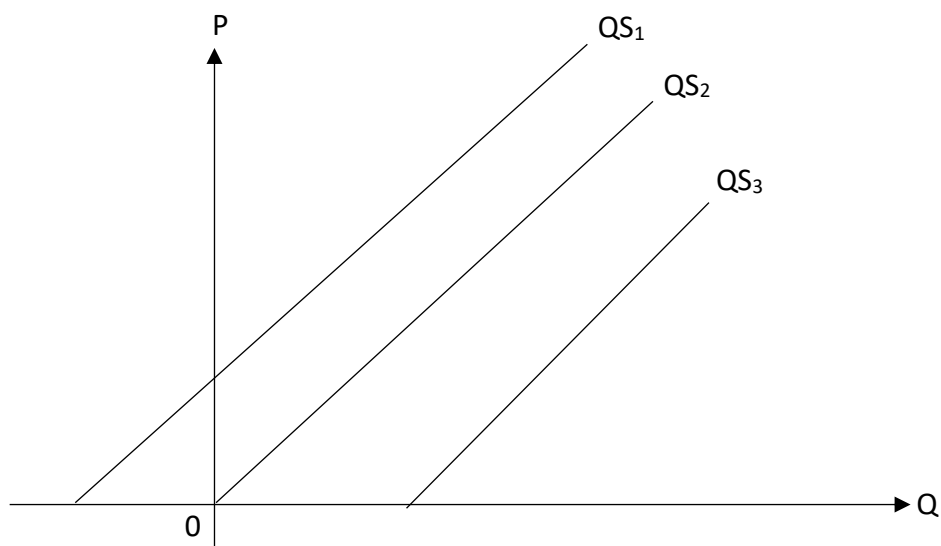


ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone ගම්පහ අධ්‍යාපන කලාපය Gampaha Education Zone		
<b>ගම්පහ අධ්‍යාපන කලාපය</b> <b>Gampaha Education Zone</b>		
දෙවන වාර ඇගයීම - 2025 <b>Second Term Evaluation - 2025</b> இரண்டாம் தவணைப் பரீட்சை - 2025		
ශ්‍රේණිය Grade	විෂයය Subject	කාලය Time
13	Economics II	03 h
නම பெயர் Name		

**Instructions : Answer five questions only, selecting two questions from sub section "A", and two questions from Sub- section "B".**

### Part A

- (01) (i) Define economic resources and classify them. (4 marks)  
 (ii) Explain how sacrifice will arise due to scarcity. (4 marks)  
 (iii) Show production efficiency and allocative efficiency by a production possibility curve and mention the reasons for allocative efficiency. (5 marks)  
 (iv) What are the main functions of an entrepreneur. (4 marks)  
 (v) Name three criteria for classifying economic systems. (3 marks)
- (02) (i) Define income effect that cause for the law of demand. Show how the income effect of a normal good and inferior good behave? (4 marks)  
 (ii) Classify the goods according to price elasticity of demand, cross price elasticity of demand and income elasticity of demand. (3 marks)  
 (iii) At the price of Rs. 200 quantity demand is 1000kg of potatoes. When the price of Rs. 100 quantity demand is 5000kg. Explain the price elasticity of demand for potatoes. (3 marks)  
 (iv) Explain the nature of supply elasticities of the following supply curves  $QS_1$ ,  $QS_2$  and  $QS_3$ . (3 marks)



- (v) The market is at the equilibrium when supply is elastic and demand is inelastic. Illustrate by a suitable diagram the consumer surplus and producer surplus in that market. (3 marks)
- (vi) The demand and supply functions of a competitive fish market are  $Q_d = 1000 - 5P$  and  $Q_s = -200 + 5P$ . After granting a subsidy to fishermen the supply function is  $Q_s = 5P$ . Calculate the equilibrium price and quantity before and after subsidy. (4 marks)
- (03) (i) If the demand and supply curves are linear, and if the market is at the equilibrium illustrate by a graph resource allocation is inefficient when government imposes a tax. (4 marks)
- (ii) Explain by a suitable graph the benefit received by consumer and producer when a subsidy was given in a market where demand is inelastic and supply is elastic. (4 marks)
- (iii) In a competitive market the demand function is  $Q_d = 600 - 10P$ . The supply function is  $Q_s = 10P$ . The government purchases the excess supply by imposing a certified price of Rs. 40.
- What is the cost of the government to purchase the excess supply. (3 marks)
  - What is the dead weight loss due to government purchase. (3 marks)
  - What is the loss of social welfare due to resource allocation inefficiency exist when imposing certified price. (3 marks)
- (iv) Mention the methods taken by the government to maintain the price stability of agricultural goods. (3 marks)
- (04) (i) "The profit calculated in accounting is greater than the profit calculated in economics of a certain production." Do you agree? Explain with reasons. (4 marks)
- (ii) Explain the differences between fixed and the variable cost in a garment industry. (4 marks)
- (iii) "If a perfect competitive firm incurring losses in short run, it is decided to shutdown the business." Do you agree with this statement. Explain. (4 marks)
- (iv) A person earned Rs. 200 000 monthly income current business. He has earned Rs. 120 000 monthly incomes from his earlier employment. There is a building rent per month is Rs. 30000, electricity bill is Rs. 5000 and the salary per worker is Rs. 45000 per month. Does the owner of the business receive economic profit? Explain with reason. (4 marks)
- (v) What are the differences between the features of monopolistic competitive market and oligopolistic market. (4 marks)
- (05) (i) Name the institutional units in a economic area and briefly explain the functions of those institutional units. (4 marks)
- (ii) Explain with reasons whether the following events include in gross domestic product or not? (4 marks)

- a) Distributing goods to household during election.  
 b) The government expenditure for the parliament election this year.  
 c) A person purchases an old motor vehicle for his personal use.  
 d) The government increase an increment of Rs. 3000 for pensioners.
- (iii) Define primary income that is use when calculating gross domestic product and name the components of primary income. (4 marks)
- (iv) The data of a hypothetical economy is given below.
- Autonomous consumption is Rs. million 400,
  - consumed 80 cents for every one rupee increase in disposable income.
  - Investment (i) Rs. M. 360
  - Government purchase (G) Rs. M. 200
  - Autonomus tax (T) Rs. M. 200
- A. What is the savings function of this economy.  
 B. How much the equilibrium level of income of this economy. ( $2 \times 2 = 4$  marks)  
 C. Graphically present the equilibrium level of national income by an income expenditure graph. (2 marks)  
 D. How much the individual consumption (C) at the equilibrium. (2 marks)

### Part B

- (06) (i) What are the factors that restrict the store of value as a function of money? Explain. (4 marks)  
 (ii) In order to increase in money supply high powered money need to increase. Do you agree? (4 marks)  
 (iii) State two for each explain high earning liquid assests and profitable assests in the balance sheet of a commercial bank. (4 marks)  
 (iv) State four policy methods use to control inflation. (4 marks)  
 (v) The financial situation of a commercial bank in the banking system is given below. Consider statutory reserve ration is 20%. (4 marks)

Liabilities		Assests	
Deposits	200 000	Reserves	40 000
		Loan	160 000
	200 000		200 000

The central bank sold Rs. 10 000 worth securities for this commercial bank.

- a) State how the balance sheet of the bank change after this?  
 b) How the purchasing of securities by commercial banks affect to money supply. ( $2 \times 2 = 4$  marks)
- (07) (i) How the inflation affect for the expected functions of money? (4 marks)  
 (ii) "Monetary aggregate is covered by broad rage of assests and not by homogenous assest" What is mean by this statement. (4 marks)  
 (iii) Explain the flexible inflationary target of current Sri lankan monetary policy framework. (4 marks)

- (iv) What are the assumption use by a commercial bank when creating money. (4 marks)
- (v) Explain the main objectives and central bank of Sri Lanka. (4 marks)
- (08) (i) Why the government intervention is needed in free market economy. (4 marks)
- (ii) The following hypothetical data is given regarding to a economy,

Government income	4000
Government expenditure	700
(According to economic classification)	
Recurrent expenditure	5000
Grants	100
Primary account balance	200
Repayment of loans	450
Domestic financing	1100
Net loans	50

Calculate the followings.

- A. Current account balance.
- B. Interest payment.
- C. Foreign financing to settle government budget deficit.
- D. Gross Financing need. (4 marks)
- (iii) “The primary account balance in the years of 2023 and 2024 is recorded as surplus.” Explain how it is important for the Sri Lankan economy. (4 marks)
- (iv) What is mean by government debt sustainability. Name 03 targets of the debt sustainability. (4 marks)
- (v) What are the methods planned by the government to achieve the targets of debt sustainability according to government 2025 – 2029 midterm financial frameworks. (4 marks)
- (09) (i) Explain by a graph over consumption situation in the market in the context of economic efficiency. (4 marks)
- (ii) Name 04 structural limitation of government finance? (4 marks)
- (iii) In past years the total budget deficit exceeds 6% of gross domestic product. What are the effects of a budget deficit? (4 marks)
- (iv) What is mean by public financial sustainability? What are the targets of public financial sustainability? (4 marks)
- (v) What are the debt consessory receive by Sri Lanka under government debt restructural programme. (4 marks)

(10) The output per day of labour producing wheat and clothes in two countries is given below.

<b>Good</b>	<b>United States of America</b>	<b>India</b>
Wheat	8	4
Cloth	4	3

- (i) According to the above table which country have absolute advantage? Explain briefly? (4 marks)
- (ii) Define comparative advantage and which country gain comparative advantages. (4 marks)
- (iii) What are the economic factors that help arise to international trade between countries. (4 marks)
- (iv) What are the advantage and disadvantages of trade Protectionism. (4 marks)
- (v) Explain gains of competitions. (4 marks)