බස්නාහිර පළාත් අධ්‍යාපන දෙපාර්තමේන්තුව
மேல் மாகாணக் கல்வித் திணைக்களம்
Department of Education - Western Province

තෙවන වාර පරීක්ෂණය
மூன்றாம் தவணைப் பரீட்சை - 2026
Third Term Test

ශ්‍රේණිය / தரம் / Grade } 13	විෂයය / பாடம் / Subject } Economic	පත්‍රය / வினாத்தாள் / Paper } II	පැය / மணித்தியாலம் / Hours } 3

Section - A

Select minimum two questions from this section.

1. (i) A farmer owns a small piece of land with several coconut trees and plans to produce coconut oil. He hires two workers to help collect and process them. However, the number of coconuts and workers is limited. The farmer must decide whether to sell the coconuts in the market or use them to produce coconut oil. He finally decides to produce coconut oil instead of selling the coconuts.

   Based on the above explain the concepts of scarcity, choice, renewable resources and opportunity cost relating to the case. (04 Marks)

   (ii) "Opportunity cost increases as more of one good is produced. Explain this statement using the Production Possibility Curve and causes for the shape of the curve. (04 Marks)

   (iii) Explain the following incidents in production possibility curves. A. "Ditwa" cyclone effect on Sri Lankan Economy B. Effect on Middle East war conflicts to Sri Lanka. C. Reduction of demand for Sri Lankan Tea D. Use of drone technology for agricultural sector (04 Marks)

   (iv) "Self-interest is the driving force of the market economic system ". Discuss with the example. (02 Marks)

   (v) What are the disadvantages of command Economic system (02 Marks)

   (vi) What is the role of social capital in modern economic system. (04 Marks)

2. (i) "Price of the petrol has been increased. But the demand for the petrol has not been decreased" Why? (2 marks)

   (ii) What are the factors effecting to the unability of changing the supply of petrol equal or greater than to the percentage change of the price of the petrol. (4 marks)

   (iii) "Demand for the education has been increased. But, the price of the education has been decreased" Explain this market condition by running a graph. (4 marks)

(iv) In the given period of time, when all the other factors remain constant, the change of the demand or quantity demanded of 'y' product as a response of changing the price of the 'y' product or income of the consumers or price of the 'x' product is given below.

Px 'Rs.'	**Y Rs.'000'**	**Py 'Rs.'**	**D/Qdy 'units'**
24	50	40	200
30	200	36	300

Write three characteristics regarding 'y' product (3 marks)

(v) Following informations are given for a hypothetical product which sell in the competitive market.

Demand equation: Pd = 12 – 1/9Q
Excess Demand equation: Ex D = 120 - 12P
You are asked to

(i) Calculate the equilibrium (2 marks)

(ii) Illustrate the equilibrium in the graph (3 marks)

(iii) Calculate the producer surplus and the expenditure consumer willing to pay by consumer at the equilibrium. (2 marks)

3\. (i) Explain the relationship between deadweight loss and the price elasticity of supply by using graphs. (4 marks)

(ii) “Government introduces the QR system again to the fuel market.” What are the economic effects of this? (You may use graphs.) (4 marks)

(iii) Due to prevailing war condition, prices of the imported goods and the prices of the goods produced using imported raw materials have increased. What are your suggestions to control the price fluctuations of them? (2 marks)

(iv) Following informations are given for a product which sell in the competitive market.

Qd = 27 – 3P
Qs = –5 + 5P

If the government imposes a unit tax of Rs. 1.60, you are asked to calculate:

(a) the effect on equilibrium
(b) the effect on producer surplus
(c) the effect on consumer surplus
(d) the effect on economic surplus
(e) the deadweight loss (2 × 5 = 10 marks)

4\. (i) Savini works as software engineer in Rivini company earns Rs. 80,000 monthly salary. She decided to resign and start her own shoe production company name as Binuri using her savings of Rs. 500,000 which gives 10% annual interest as capital. She recruited 4 employees for Rs. 30000 each. Following cost incurred monthly:

Raw materials Rs. 100,000
Electricity Rs. 5,000
Rent for the building Rs. 20,000
Transport Rs. 10,000

Savini expects to sell 100 shoes each at Rs. 5,000 and at least she expects to earn Rs. 80,000 profit monthly.
Calculate,

A. Direct cost and indirect cost
B. Economic profit and accounting profit (04 Marks)

(ii) Explain the relationship between Marginal Cost and Average Cost curves and why they have a U-shape in short run production. (04 Marks)

(iii) What are the causes affect for economies of scale and diseconomies of scale? (04 Marks)

(iv) Why does the Perfect competitive firm has to act as a price taker? Explain (02 Marks)

(v) What are the difference between monopoly market and monopolistic competitive market? (02 Marks)

(vi) Economic rent and transfer earnings depends on supply electricity of factors. Explain with suitable diagrams (04 Marks)

5. (i) Why does the value of production calculated under the three main approaches to National accounts become equal? (4 marks)

(ii) Calculate the Gross Domestic Product using the information given below related to a certain hypothetical economy (values Rs. Billion).

Private consumption expenditure C = 2400
Changes in inventory = 560
Gross Domestic fixed capital formation = 1200
Changes in valuables = 450
Government purchases = 2200
Exports = 400
Imports = 600
Net indirect taxes = 150 (4 marks)

(iii) Gross Domestic Expenditure and Gross Domestic Product are the same. Discuss. (4 marks)

(iv) Following data related to a certain closed economy with government sector are given:
Savings function: S = -2000 + 0.2Yd

Investments I = 400
Government purchases G = 160
Taxes T = 100

(a) Derive the consumption function and enumerate the consumption expenditure at the income level of Rs. 10,000 million. (2 marks)
(b) What is the equilibrium level of national income? (2 marks)
(c) Prove that withdrawals and injections are equal at the equilibrium level of national income. (2 marks)

(v) What is meant by the balanced budget multiplier? (2 marks)

Section - B

(Select minimum TWO (2) questions from this section)

6. (i) Define the external value of money and state how it is related to the general price level. (4 marks)

   (ii) Equation of exchange is a mathematical statement while quantity theory of money is based on it. Explain. (4 marks)

   (iii) Explain how the reserve money has a direct and multiplied effect on the total money supply in an economy. (4 marks)

   (iv) A simplified balance sheet of a commercial bank is given below:

Liabilities		**Assets**	
Demand deposits	Rs. 50,000	Reserves	Rs. 8,000
Capital	Rs. 10,000	Loans	Rs. 38,000
		Fixed Assets	Rs. 4,000
Total	Rs.60,000	**Total**	Rs. 60,000

   If the statutory reserve ratio is 10%, what would be the change in money supply when the banking system creates credit to reach its excess reserves to zero? (4 marks)

   (iv) Explain how the open market operations are used by the Central Bank of Sri Lanka to achieve its objective. (4 marks)

7. (i) Explain how the price mechanism guides and encourages efficiency. (4 marks)

   (ii) Explain the relationship between tax incidence and any one of the principles of taxation. (4 marks)

   (iii) Discuss the likely macroeconomic effects of an increase in income tax rates aimed at high-income households. (4 marks)

   (iii) Explain why a structural fiscal deficit is more serious than a cyclical fiscal deficit. (4 marks)

   (iii) Explain why debt restructuring is important to Sri Lanka. (4 marks)

8. (i) Compare absolute advantage, comparative advantage and competitive advantage. (6 marks)

   (ii) “Even though the commodity terms of trade is appreciated, the income terms of trade has been depreciated.” Is it possible? Explain. (3 marks)

   (iii) “According to the direction of international trade of Sri Lanka, America is an important economy.” Prove this statement by using the origins of imports and destinations of exports regarding the international trade of Sri Lanka. (4 marks)

   (iv) Write the double entry in the BOP of Sri Lanka and the name of the accounts for the following transactions:

(a) Receive stock of goods as donation to “Ditwa disaster” to Sri Lanka.
(a) Receive a loan from IMF by Sri Lanka.
(a) Buy monetary gold by using dollar reserves of Sri Lanka.
(a) Nimal, who works in Israel sends his salary to his mother in Sri Lanka. (4 marks)

(iv) “Due to the prevailing war condition in the Middle East, the price of crude oil has been increased.” Illustrate the effect of this situation on the foreign value of the Sri Lankan rupee, using an appropriate graph. (3 marks)

9. (i) “Economic Growth is a quantitative concept while Economic Development is a qualitative concept”. Explain. (4 marks)

(ii) Define the concept of Sustainable Development. (4 marks)

(iii) What are the costs of Economic Growth? (4 marks)

(iv) Write the strengths of the Human Development Index. (4 marks)

(v) What are the problems faced by Sri Lanka when struggling to reduce poverty in Sri Lanka? (4 marks)

10. (i) What are the economic benefits of transferring the economies from non-renewable energy to renewable energy? (4 marks)

(ii) What are the economic effects of the present Middle-East war conditions on Sri Lankan economic growth process? (5 marks)

(iii) “The performance of SOEs in Sri Lanka shows a positive trend in the recent past.” Identify common criticism of SOEs in Sri Lanka. (5 marks)

(iv) “Foreign exchange reserves in Sri Lanka has been increased in last few years.”

(a) What is foreign reserves? (1 mark)

(b) What is the composition of foreign reserves of Sri Lanka? (2 marks)

(c) What are the positive impacts of increasing foreign exchange reserves on the living standards of Sri Lankan citizens? (3 marks)