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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: **I**	පැය / மணித்தியாலம் / Hours: **2**

Instruction

** Answer **all** the questions.*

** Write Your **Index Number** in the space provide in the answer paper.*

** In each of the question from **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 (x)** in accordance with the instructions.*

1. Which of the following is most accurately show the economic meaning of land as a factor of production?
   (1) All natural resources used directly in agricultural production
   (2) All gifts of nature that exist independently of human effort
   (3) All natural resources that can be used in the production of goods and services
   (4) All natural resources that have exchange value in markets
   (5) All naturally occurring resources owned by individuals or the government.

2. Which of the following best describes the relationship between division of labor and economic efficiency?
   (1) Division of labor reduces the total quantity of resources required for production
   (2) Division of labor allows workers to perform all production tasks more effectively
   (3) Division of labor increases productivity by allowing workers to specialize in specific tasks
   (4) Division of labor eliminates the need for technological advancement
   (5) Division of labor ensures equal wages for all workers.

3. Which of the following is NOT a cause of a shift in the Production Possibility Curve (PPC)?
   (1) A continuous reduction in real GDP
   (2) Destruction of irrigation systems due to a cyclone
   (3) Cultivation of coconuts on previously unutilized land
   (4) Digitalization of government institutions
   (5) An increase in the productivity of the education system due to new reforms.

4. Which of the following best describes the government's role in a social market economic system?
   (1) Exercise direct control over the production and delivery of all commodities and services
   (2) Replace the price mechanism with administrative allocation
   (3) Enable markets to function while maintaining social protection and fair competition
   (4) To eradicate income disparities through governmental ownership of businesses
   (5) Determine production targets across all industries.

5. Which one of following is not a reason to supply more number of units, when the price of the specific product is increased?

   (1) Heterogeneous nature of resources
   (2) Diminishing marginal returns at short-run production process
   (3) Increasing factor substitutability ratio
   (4) Future expectation to have profit by storing the product today
   (5) Profit motive behavior of the production firm.

6. When consumer 'A' responds by changing the quantity demand 20% for the 30% change of the price at the specific product, when consumer 'B' change the quantity demand by 60%. Reason for the behavior of 'A' and 'B'

   (1) 'A' has less taste to the specific product than 'B'
   (2) 'A' has less number of substitutes for the specific product than 'B'
   (3) 'A' spends a larger percentage out of his income for buying the specific product than 'B'
   (4) 'A' guess, that the price of the specific product will increase in future while 'B' guess, that the price of the specific product will decrease in future
   (5) 'A' has defined the specific product in a narrow manner than the 'B'.

7. Price of 'A' product has increased from Rs. 32/- to Rs. 40/- and the demand of the 'B' product has decreased from 160 units to 140 units. What is the cross price elasticity of demand between 'A' and 'B' products and their nature?

   (1) -0.6 and complementary products
   (2) -2 and complementary products
   (3) -2.5 and elastic products
   (4) 0.6 and substitute products
   (5) 2 and substitute products.

8. Market supply equation for a hypothetical product is Qs = -120 + 6P. Which one of following is correct regarding this product?

   (1) When the price of this product is increased, quantity supply of this product is decreased
   (2) Supply curve of this product is intersect on negative value area of the price axis
   (3) When the points move along this supply curve to upward price elasticity of supply is decreased up to 1 but greater than 1.
   (4) Price elasticity of supply at every positive price greater than Rs. 20/- is less than 1
   (5) This product is an agricultural product or a dairy product.

9. Identify the pair of demand and supply equations possible to have the Rs. 5 equilibrium price, 18 units as equilibrium quantity with Rs. 52.50 producer surplus and Rs. 13.50 consumer surplus. Assume the product has inelastic supply.

   (1) Qd = 78 – 6P , Qs = 3 + 2P
   (2) Qd = 78 – 12P , Qs = 3 + 3P
   (3) Qd = 72 – 9P , Qs = 3 + 3P
   (4) Qd = 78 – 12P , Qs = 3 + 3P
   (5) Qd = 81 – 9P , Qs = -9 + 3P

10. The market selling quantity of a hypothetical product is increased as the supply of the product is increased. But sellers’ revenue is decreased. The demand elasticity of this product is respectively

    (1) Inelastic
    (2) Unitary elastic
    (3) Perfectly elastic
    (4) Elastic
    (5) Perfectly inelastic

11. The highest producer surplus can be seen for the product with normal downward-slop demand curve and the

    (1) Perfectly elastic supply curve
    (2) Relatively elastic supply curve
    (3) Unitary elastic supply curve
    (4) Relatively inelastic supply curve
    (5) Perfectly inelastic supply curve

12. In order to control the demand for fuel, the government has introduced the QR system. Which is not a consequence of this?

(1) Excess demand (2) Black market (3) Queue system
(4) Increase the social welfare (5) Increase administrative cost

13. Government impose indirect tax on product with the purpose of increasing the government revenue and maximizing the economic welfare. These both purposes are fulfilled under the conditions of

(1) Perfectly elastic demand and elastic supply
(2) Perfectly inelastic demand and elastic supply
(3) unitary elastic demand and unitary elastic supply
(4) Relatively elastic demand and relatively elastic supply
(5) Relatively inelastic demand and relatively inelastic supply.

14. Given below are the demand and supply equations for a hypothetical product which sell in the competitive market:

Qd = 240 – 12P
Qs = 96 units

If the government wants to reduce the market price by Rs. 4/-. Which one of following is wrong?

(1) Producer surplus reduced by Rs. 384/-
(2) Dead weight loss is generated
(3) Consumer surplus is increased by Rs. 384/-
(4) Government should import 48 units
(5) Excess demand is there for 48 units

15. The Law of Diminishing Marginal Returns starts to apply in the short-term production process when:

(1) Total Product starts decreasing
(2) Marginal Product becomes negative
(3) Marginal Product starts decreasing but remains positive
(4) Average Product reaches its maximum
(5) Marginal Product becomes zero

16. When Marginal Cost (MC) is less than Average Total Cost (ATC) in the short term, what must happen?

(1) ATC must be rising at a decreasing rate (2) ATC must be falling.
(3) ATC must be constant (4) ATC must be rising
(5) ATC must be at its minimum

17. A firm produces 200 water bottles. The Marginal Cost (MC) of the 200th water bottle is Rs. 50. The Average Total Cost (ATC) before producing the 200th water bottle is Rs. 48. After producing the 200th water bottle what is the new ATC?

(1) Rs. 48.10 (2) Rs. 48.25 (3) Rs. 48.50
(4) Rs. 48.15 (5) Rs. 48.01

18. Firms are interdependent in Oligopoly because:

(1) Each firm's actions affect market price and competitors' profits
(2) Firms produce identical products and ignore rivals
(3) Firms face perfectly elastic demand
(4) Price is always determined by marginal cost
(5) Firms never compete with each other

19. Which of the following is included when calculating Gross Domestic Product (GDP) of Sri Lanka using the expenditure method?

(1) Transfer payments such as Aswesuma benefits
(2) Intermediate goods used in production
(3) Government expenditure on infrastructure
(4) Second-hand car sales
(5) Income earned by Sri Lankans working abroad

20. Which of the following would increase Sri Lanka's GDP?

(1) Increase in unemployment benefits
(2) Import of consumer goods
(3) Increase in exports of tea
(4) Sale of shares in the stock market
(5) Payment of pensions to retirees

21. The total resources of a hypothetical economy is Rs. 72 000. Find the value of total consumption if the investments are Rs. 48 000 and the non-factor services exports of the economy is Rs.7500.

(1) Rs. 55 500 (2) Rs. 27 000 (3) Rs.16500
(4) Rs. 24 000 (5) Rs. 14 000

22. Services sector contribution for the Gross Domestic Product of Sri Lanka in 2024 is

(1) 60.7% (2) 59.2% (3) 55.9% (4) 62.5% (5) 51.5%

23. The following are the variables for a closed economy with government: Savings function:
S = -500 + 0.25Yd

Investment: I = 100 million
Taxes: T = Rs. 100 million Government expenditure: G = Rs. 250 million

Which of the following correctly represents the equilibrium level of national income (Y) and personal consumption expenditure at the equilibrium (C)?

(1) Y = Rs.3850 million, C = Rs.3500 million
(2) Y = Rs. 1,800 million, C = Rs. 1,350 million
(3) Y = Rs. 3100 million, C = Rs. 2,750 million
(4) Y = Rs. 1,600 million, C = Rs. 1,300 million
(5) Y = Rs. 2,200 million, C = Rs. 1,650 million

24. Which of the following explains the parallel upward shift of the consumption function in a certain macro-economic situation?

(1) Reduction in lump-sum taxes by the government
(2) Increase in marginal propensity to save
(3) Reduction in transfer payments to households
(4) Increase in income tax rates
(5) Increase in marginal propensity to consume

25. In an economy, the marginal propensity to consume (MPC) is 0.8 and the government imposes a lump-sum tax increase of Rs. 50 million. What will be the tax multiplier and the resulting change in national income (ΔY)?

(1) Tax multiplier = -4, ΔY = –200 million
(2) Tax multiplier = -5, ΔY = –250 million
(3) Tax multiplier = -4, ΔY = –250 million
(4) Tax multiplier = -5, ΔY = –200 million
(5) Tax multiplier = -3, ΔY = –150 million

26. In an economy experiencing high inflation, people start using foreign currency for saving purposes but continue using domestic currency for daily transactions. Which of the following functions of money is primarily weakened in the domestic currency?

(1) Medium of exchange (2) Store of value (3) Unit of account
(4) Standard for deferred payments (5) Both medium of exchange and unit of account.

27. According to recent monetary data, Sri Lanka's broad money supply (M_2) has been growing below the growth rate tied to inflation goals. Which of the following is the best economic implication of this slower M_2 growth?

(1) The economy is likely overheating with excessive liquidity
(2) Inflationary pressure may remain subdued or stable.
(3) Central bank of Sri Lanka is aggressively printing money to boost exports.
(4) The exchange rate is guaranteed to appreciate faster.
(5) Fiscal deficit must automatically widen as a result.

28. In an economy, real GDP is Rs. 5000 billion, the base year price index is 100, current year price index is 160, narrow money supply (M_1) is Rs 2000 billion. The velocity of circulation of money (V), using M is

(1) 2.0 (2) 2.5 (3) 3.0 (4) 3.5 (5) 4.0

29. Assume that statutory reserve ratio is 10%. A customer deposits Rs. 100,000 in a Commercial bank, Banks lend with maximum possible amount and the public redeposit all loaned money in the banking system. What is the maximum total credits created by the banking system?

(1) Rs. 100,000 (2) Rs. 900,000 (3) Rs. 1,000,000
(4) Rs. 810,000 (5) Rs. 90,000

30. An economy experiences the following event simultaneously

A - Government increases public investment financed by bank borrowing.
B - international oil prices increase sharply.
C - unemployment falls below the natural rate.
D - Trade unions negotiate higher nominal wages.

Which of the following combinations correctly identifies the primary causes of demand pull and cost push inflation?

	Demand pull inflation	Cost push inflation
(1)	A and B	C and D
(2)	A and C	B and D
(3)	C only	B only
(4)	A, B and C	D only
(5) .	A, B, C and D	—

31. Which of the following best explains the market failure in the case of demerit goods?

(1) Marginal Social benefits exceed marginal private benefits
(2) Marginal private cost exceeds marginal social costs
(3) Marginal social cost exceeds marginal private costs
(4) Marginal private benefits exceed marginal social benefits
(5) Marginal Social benefit equals marginal private benefit

32. A government is evaluating a new tax policy. The proposed tax is easy and inexpensive to collect, minimizes distortion in resource allocation and is imposed according to the taxpayer's ability to pay. Which characteristics of a good tax are satisfied by this proposal?

(1) Equity, certainty and convenience
(2) Economy, neutrality and equity
(3) Certainty, equity and convenience
(4) Economy, certainty and neutrality
(5) Certainty, simplicity and equity.

33. Some expenditures of the government are known as capital expenditure because they

(1) Are aimed at day-to-day administrative operations of the government.
(2) Result in creation of assets that provide benefits over a long period
(3) Are fully consumed in the same financial year.
(4) Are primarily used to pay salaries and pensions.
(5) Are transfer payments with no return.

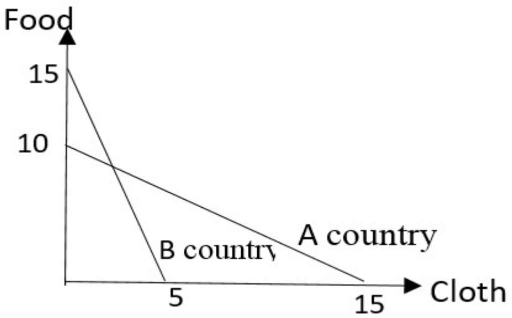
34. When taxes are imposed by the government there would be economic inefficiency due to misallocation of resources in an economy. This is known as

(1) Economic incidence of taxation.
(2) Neutrality of taxation
(3) Excess burden of taxation
(4) Lack of tax compliance.
(5) Backward shifting of tax.

35. The budget deficit of Sri Lanka that was extremely high is on the declining path. Which of the following would not necessarily happen due to this?

(1) Fall in interest rate
(2) increase in private investments
(3) Government borrowings increase
(4) Primary balance improves
(5) Fall in national debts

36. Assume that Country A and B produce food and clothes with a given amount of inputs.



The mutually beneficial rate of exchange is

(1) 1C = 0.6F
(2) 1C = 0.5F
(3) 1C = 0.7F
(4) 1C = 1.5F
(5) 1C = 0.3F

37. The price of a good imported is Rs. 600, the value of the inputs imported is Rs. 300. The tariff on the final product and imported inputs is 10%. What is the effective rate of protection?

(1) 5%
(2) 10%
(3) 20%
(4) 25%
(5) 50%

38. Which of the following economic integration has common external tariffs and free trade between member countries?

(1) Preferential trade agreement (PTA)
(2) Free trade area (FTA)
(3) Customs union (CU)
(4) Common Market (CM)
(5) Economic union (EU)

39. Which of the following would improve commodity terms of trade of a country?

(1) Inflation
(2) Improvement in labor productivity
(3) Increase in the price of imported goods
(4) Appreciation of the domestic currency
(5) Increase in the price of raw materials due to break down of the supply chain.

40. The data related to a balance of payments of a country is given below (All values are USD billion)

Current account balance: 200
Capital account balance: 75

Which of the following about errors and omission & financial account balance would be correct?

	Errors and omissions	**Financial account balance**
(1)	–125	125
(2)	–75	–200
(3)	–25	–100
(4)	–25	+150
(5)	40	160

41. The value of USD is Rs. 280 and the Sri Lankan rupee depreciates by 30%. How much is the value of USD after depreciation?

(1) Rs. 364
(2) Rs. 2015
(3) Rs. 400
(4) Rs. 410
(5) Rs. 150

42. How much is the gross official reserves of Sri Lanka according to the data of the Central Bank of Sri Lanka at the end of the year 2025?

(1) USD 7.8 billion
(2) USD 6.8 billion
(3) USD 6.1 billion
(4) USD 7.3 billion
(5) USD 5.2 billion

43. Which of the following strategies is most effective for a developing country like Sri Lanka to achieve inclusive economic development?

1) Focus solely on export-led industrial growth
2) Invest in human capital, rural development, and small enterprises
3) Increase urban luxury consumption
4) Reduce government spending on education and health
5) Rely mainly on foreign borrowing for short-term projects

44. One of the partial indices used to measure development is

(1) Per capita income
(2) Human Development Index
(3) Happiness Index
(4) Prosperity Index
(5) Multidimensional Poverty Index

45. In the World Happiness Report 2026, Sri Lanka was ranked

(1) 138
(2) 128
(3) 134
(4) 133
(5) 120

46. Which of the following would increase the Gini coefficient of an economy?

(1) Redistribution of income from the rich to the poor
(2) Increase in social welfare transfers
(3) Rapid growth of high-income households, while low-income households remain stagnant
(4) Universal access to free education and healthcare
(5) Progressive taxation

47. Which of the following statements correctly distinguishes between the Poverty Head Count Index (HCI) and the National Poverty Line?

(1) HCI measures the income threshold, while the national poverty line measures the proportion of people below that threshold
(2) HCI measures the proportion of population below the poverty line, while the national poverty line defines the minimum income required to meet basic needs
(3) Both HCI and national poverty line measure income inequality
(4) The national poverty line varies with HCI, but HCI is fixed
(5) HCI includes non-income factors, while the national poverty line includes only income

48. What is the main aim of 'Praja Shakthi' program initiated by the Sri Lankan government in 2026?

(1) To eradicate poverty by 2030 through a community-driven, people-centric approach that empowers rural and estate communities, ensures equitable economic distribution, and strengthens social protection.
(2) To promote digital technology in all public schools across the country
(3) To integrate state mechanisms and empower communities to eradicate rural poverty and equitably distribute economic benefits
(4) To privatise public enterprises for economic growth and to support the urban poor sector to help in the process of economic growth
(5) To provide targeted, transparent, and temporary financial assistance to the most deserving poor and vulnerable households.

49. Which one of following step should not be taken by Sri Lanka to not to avoid falling ^into again an economic crisis

(1) Strengthening fiscal discipline by reducing budget deficits
(2) Promoting export diversification and increasing foreign exchange earnings
(3) Maintaining an artificially fixed exchange rate for long period
(4) Improving tax revenue through efficient tax administration.
(5) Encouraging foreign direct investment.

50. Which of the following policy measures is least appropriate for reducing poverty and income distribution disparities in Sri Lanka under current economic condition.

(1) Expanding the "Aswesuma Welfare Program" to vulnerable households.
(2) Investing in rural infrastructure and digital connectivity to reduce regional inequalities.
(3) Providing universal subsidies on fuel and electricity regardless of income level.
(4) Enhancing access to quality education and vocational training for low-income groups
(5) Promoting inclusive growth through SME development and microfinance initiatives.