

G.C.E ADVANCED LEVEL EXAMINATION

AUGUST– 2023

ECONOMICS

1 ¾ Hours

- ANSWER ALL QUESTIONS IN BOTH PART (A) AND (B) OF THIS PAPER
- EACH MULTIPLE CHOICE QUESTION IS WORTH (02) MARKS AND EACH STRUCTURED ANSWER QUESTION IS WORTH (15) MARKS & HAS MULTIPLE PARTS. THE MARKS ALLOCATED FOR EACH SUB SECTION OF QUESTIONS ARE GIVEN SEPARATELY

SUB SECTION – [A]

1. An economic system

- 1) Shall eliminate the unlimited wants of people
- 2) Allocates resources to formulate goods or services to satisfy human needs
- 3) Creates an environment to control and share power
- 4) Creates a political system with power
- 5) Creates a balance between social and economic needs

2. The main function of the Price Mechanism is

- 1) Implementing the invisible hand
- 2) Expanding the public enterprises of the economy
- 3) Allocating resources to solve basic problems based on price signals
- 4) Provides goods and services to satisfy basic human needs
- 5) Provides the necessary facilities for the private sector to earn profits

3. The estimated population in Sri Lanka and Gross Domestic Product (GDP) in 2019/20 is

- 1) 20.4 Million and 87.9 Billion USD
- 2) 21.9 Million and 80.7 Billion USD
- 3) 20.7 Million and 75.5 Billion USD
- 4) 20.4 Million and 80.5 Billion USD
- 5) 22 Million and 88.9 Billion USD

4. If an economy cannot increase output of one product, without an essential tradeoff of the other product, this situation indicates

- 1) A specific product combination on the PPF
- 2) Productive efficiency
- 3) Allocative efficiency
- 4) Full employment of resources
- 5) Any product combination within the PPF

5. What is the situation that should prevail in an economy for the creation of economic problems?

- 1) The existence of unused resources
- 2) The existence of unlimited human wants
- 3) The ability to direct resources towards alternative uses
- 4) The economy not having enough resources to satisfy unlimited wants
- 5) Unlimited supply of natural resources

6. The main feature which makes a good an 'Economic Good' is

- 1) It creates an opportunity cost in production
- 2) The ability to satisfy human needs
- 3) It is created as a result of a production process
- 4) The ability to move from one place to another
- 5) A good which leads to market failure

7. The following are some statements about PPCs'. What is the statement you Can agree with?

- 1) The PPC will shift to the right only if the stock of resources increase
- 2) If there is unemployment with in the economy the production will be left of the PPC
- 3) If there is full employment the product combination or point will always be on the curve
- 4) The slope of he PPC will always represent increasing opportunity cost
- 5) A point located on the PPC represents scarcity

8. What is the statement you Can-not agree out of the following set of statements?

- 1) There is no role for price and profits in a planed economic system
- 2) Today a transition economy is one that is moving from planned to a market system
- 3) The most important feature of capitalism is the private ownership of property
- 4) Making production decisions and distribution decisions is common to every economy
- 5) One of the governments roles in a market economy is to provide public goods

9. Which of the following items can be included under 'Land' as a production factor?

- 1) Tea plantation
- 2) Natural forest areas
- 3) An ancient tank constructed for agro activities
- 4) A gem mine
- 5) A tank constructed to collect north east monsoon rain water

10. What is meant by scarcity in economics?

- 1) The lack of free goods
- 2) The limitedness of human wants
- 3) An underdeveloped country
- 4) The economy cannot increase its supply of resources
- 5) The households, firms and the government are forced to make economic choices

SUB SECTION – [B]

Question – 01

- (I) Draw a production possibilities curve reflecting increasing opportunity cost for an economy producing two goods, **consumer goods** (vertical axis) and **capital goods** (horizontal axis). The economy is currently producing equal quantities of both goods represented by point (A) when the economy is at a state of productive efficiency, show it using your diagram. **(03 marks)**
- (II) Mark the following points in the above diagram
- Point **(B)** which shows production following the election of a new government which wants to immediately increase the present living standards.
 - Point **(C)** where productive inefficiency is present in the economy
 - Point **(D)** where economic discrimination is present
 - Point **(E)** where the government decides to use present resources in order to achieve greater economic growth in the future
- (02 marks each)**
- (III) Draw **separate** production possibility diagrams to represent the following changes that have taken place with regards to the above economy
- A. The position after the economy facing economic (broad trade) embargoes from UNO
- B. Productivity increases by 50% in the consumer goods industry and by 100% in the capital goods industry.
- (02 marks each)**

Question – 02

- (I) **Distinguish** between ‘**Economic**’ and ‘**Non-economic (Free)**’ goods
- (II) What is meant by **entrepreneurship**, and what are the attributes of a good entrepreneur
- (III) **Outline** the types of economic systems’ classified based on the institutional features of **Resource Ownership** and **Method of Resource Allocation**
- (IV) **State** the roles of ‘**Relative Price**’ in market economic system
- (V) **Briefly** outline how a Liberal **Market** Economy, **Command** and **Mixed** Economic Systems’, solve the basic economic problems of ‘**What to produce in which quantity**’.
- (03 marks each)**

E N D O F P A P E R

