THEORY PROGRAM **FORTNIGHTLY REVIEW [FNR]**	FNR: **06**	**Issued on:**
	2024 A/L	**Due on:**

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

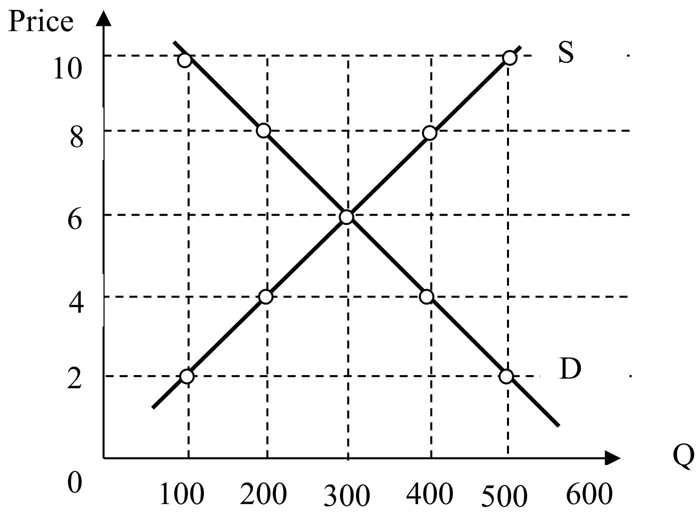
Part – [A]

(01) The branch of economics that studies how decisions of all economic agents are interconnected, and impact all economic agents is termed as

(1) Macroeconomics. (2) Microeconomics (3) Positive economics.

(4) Normative economics. (5) Home economics.

Refer the following diagram to answer Question (2) to (7).



(02) If this market is to be clear of any shortage or surplus, then the Price and Quantity should be

(1) Rs. 2 and 100 units
(2) Rs. 8 and 400 units
(3) Rs. 4 and 200 units
(4) Rs. 6 and 300 units
(5) Rs. 10 and 500 units

(03) At a price of Rs. 10 in the above figure, there is,

(1) A surplus of 400 units.
(2) A shortage of 400 units.
(3) A shortage of 200 units.
(4) A surplus of 500 units.
(5) A surplus of 200 units.

(04) At a price of Rs.4 in the above figure,

(1) There is a surplus of 200 units.
(2) The equilibrium quantity is 400 units.
(3) The quantity supplied is 400 units.
(4) There is a shortage of 200 units.
(5) The equilibrium quantity is 200 units.

(05) If the good in the above figure is a normal good and income rises, then the new equilibrium quantity,

(1) Is more than 300 units.
(2) Is less than 300 units.
(3) Could be less than, equal to or more than 300 units.
(4) Is 300 units.
(5) Could be less than or equal to 300 units.

(06) The initial supply and demand curves for a good are illustrated in the above figure. If there are technological advances in the production of the good, then the new price for the good,

(1) Is Rs. 6.
(2) Is more than Rs. 6.
(3) Could be less than, equal to or more than Rs.6.
(4) Is less than Rs. 6.
(5) Could be more than or equal to Rs. 6.

(07) The initial supply and demand cures for a good are illustrated in the above figure. If there is a rise in the price of the resources used to produce the good, then the new price,

(1) Is less than Rs.6.
(2) Is more than Rs.6.
(3) Could be less than, equal to, or more than Rs.6.
(4) Is Rs.6.
(5) Could be less than or equal to Rs. 6.

(08) When a society cannot produce all the goods and services people wish to have it is said that the economy is experiencing

(1) High inflation.
(2) Relative scarcity.
(3) Market shortages.
(4) Externalities in production.
(5) Market failure.

(09) Something is fundamentally scarce as long as,

(1) There is a price that the market puts on the item.
(2) There is no freely available infinite source of the item.
(3) The government provides it.
(4) The market provides it.
(5) Someone owns it.

(10) An economic good is one which

(1) Sometimes uses limited resources in production.
(2) Is supplied competitively.
(3) Makes a profit.
(4) Is available even at a zero price, when it is in supply.
(5) Has an opportunity cost in production.

(11) Some goods are excludable. What is meant by this?

(1) The government is excluded from providing that good.
(2) Nonpayers can be excluded from receiving the benefit.
(3) The good is consumed exclusively by the private sector.
(4) Certain supplies can be excluded from proving that good.
(5) The good is a food item that is excluded from taxation.

(12) Assume an apple is a private good, the apple is,

(1) Rival in consumption and excludable.
(2) Non rival in consumption and excludable.
(3) Rival in consumption and non-excludable
(4) Non rival in consumption and non-excludable.
(5) None of the above combinations.

(13) A basic requirement for survival is a(n),

(1) Choice.
(2) Need.
(3) Want.
(4) Opportunity cost.
(5) Paradox of value.

(14) A free good has which one of the following characteristics?

(1) It has some degree of scarcity in relation to demand.
(2) It has no opportunity cost in supply.
(3) Its consumption or production does not generate any externality.
(4) It is supplied by the government free of charge.
(5) It is supplied by the government itself because its consumption is socially desirable.

(15) If the fundamental distinction between two goods is based on 'Purpose of Use', they are

(1) Economic and Non-economic goods
(2) Public and Private goods
(3) Merit and Demerit goods
(4) Durable and Non-durable goods
(5) Capital and Consumer goods

(16) A tax placed on a good that is a consumer necessity will likely generate a tax burden that;

(1) Falls more heavily on sellers.
(2) Falls entirely on sellers.
(3) Falls more heavily on buyers.
(4) Falls entirely on buyers.
(5) Is evenly distributed between buyers and sellers.

(17) Price ceilings are primarily targeted to help___, while price floors generally benefit______.

(1) Producers; no one
(2) Increase tax revenue for governments; producers
(3) Increase tax revenue for governments; consumers
(4) Producers; consumers
(5) Consumers; producers

(18) When the government implements an effective price ceiling, an essential outcome in the market is

(1) A state of rest
(2) Net gain to consumers
(3) Net gain to producers
(4) No market shortage
(5) A market shortage

(19) When the minimum wage is set above the equilibrium market wage,

(1) There will be an excess demand for labor at the minimum wage
(2) It will have no effect on the quantity of labor employed
(3) The unemployment rate will rise
(4) The quality of the labor force will rise
(5) The unemployment rate will fall

(20) The excess burden of tax is minimized when,

(1) Demand and supply are both elastic.
(2) Demand is elastic and supply is inelastic.
(3) Demand is inelastic and supply is elastic.
(4) Demand and supply are both inelastic.
(5) The Tax burden doesn't depend on elasticity.

(21) The general reason given for a price floor is;

(1) To help low-income consumers.
(2) To help low-cost producers.
(3) To help high income consumers.
(4) To help high-cost producers.
(5) To help imports

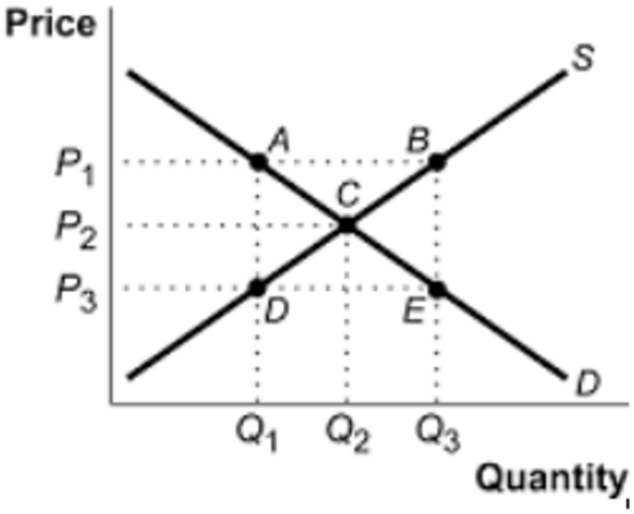
(22) The incidence (split or tax shifting) of sales tax is determined by,

(1) Level of government which imposes the tax.
(2) Federal government in all cases.
(3) Greed of the seller.
(4) Price elasticity of supply and demand.
(5) None of the above.

(23) Suppose equilibrium rental for apartments is Rs. 100,000 per month and the government imposes rent controls of Rs. 70,000. Which of the following is unlikely to occur as a result of the rent control?

(1) There may be long lines of buyers waiting for apartments.
(2) Landlords may discriminate among apartment renters.
(3) Landlords may be offered bribes to rent apartments.
(4) There will be a shortage of housing.
(5) The quality of apartments will improve.

Answer questions (24) and (25) based on the following diagram.



(24) A price ceiling of (P3) causes:

(1) A deadweight loss triangle whose corners are ABC.
(2) A deadweight loss triangle whose corners are ACD.
(3) A deadweight loss triangle whose corners are BEC.
(4) A deadweight loss triangle whose corners are CDE
(5) A deadweight loss triangle whose corners are ABD.

(25) A price floor of (P1) causes:

(1) Excess demand equal to the distance AB.
(2) Excess Supply equal to the distance DA
(3) Excess supply equal to the distance AB.
(4) Excess supply equal to the distance DE.
(5) Excess demand equal to the distance DE.

Part – [B]

<u>Question [01]</u>

(A) **Briefly 'Define'** Human Needs and Human Wants
(B) **Outline** the link and distinction between human needs and wants

[04 marks each]

<u>Question [02]</u>

(A) **'Define'** the following **'Basic Economic Concepts':**

- **(1)** Relative Scarcity
- **(2)** Alternative Uses of Resources
- **(3)** The Problem of Choice
- **(4)** Opportunity Cost **[03 marks each]**

(B) **Briefly explain** the link between the **'Basic Economic Concepts'** **[04 marks]**

<u>Question [03]</u>

(A) **Distinguish** by **'Defining'** the following concepts connected to Demand Theory:

- **(1)** Demand (i.e., Effective Demand)
- **(2)** Individual Demand
- **(3)** Market Demand
- **(4)** Quantity demanded**.** **[02 marks each]**

(B) **State the** specific and generic factors determining the quantity of rice demanded by consumers in Sri Lanka

[06 marks]

<u>Question [04]</u>

(A) **Distinguish** by **'defining'** between Government **'Price Ceilings'** and **'Price Floors'**, provide two Sri Lankan context examples for each

[03 marks each]

(B) **State** the main **'Economic Consequences'** of Government **'Price Ceilings'** and **'Price Floors'**

[03 marks each]

END OF FNR [6] PAPER