අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2023 (2024)
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2023 (2024)
General Certificate of Education (Adv. Level) Examination, 2023 (2024)

ආර්ථික විද්‍යාව I பொருளியல் I **Economics I**	**21 E I**		පැය දෙකයි இரண்டு மணித்தியாலம் *Two hours*

Instructions:

* *Answer **all** the questions.*
* *Write your **Index Number** in the space provided in the answer sheet.*
* *Instructions are given on the back of the answer sheet. Follow them carefully.*
* *In each of the questions 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** (×) in accordance with the instructions given on the back of the answer sheet.*

1. Economic resources can be simply classified into two main categories such as
(1) capital resources and natural resources.
(2) land and capital.
(3) natural resources and human resources.
(4) property resources and human resources.
(5) labour and entrepreneurship.

2. What is the fundamental difference between needs and wants as analysed in Economics?
(1) Needs are essential for survival while wants are desires only.
(2) Wants are essential for survival while needs are desires only.
(3) Needs and wants are considered to be synonymous in Economics.
(4) Wants can be satisfied with limited resources while needs cannot be satisfied with limited resources.
(5) Needs are changing over time while wants do not change over time.

3. Three points on the production possibilities curve of a certain country that produces only two goods, X and Y are given below.

Production Possibilities	Good X	Good Y
A	3	0
B	2	3
C	0	9

According to this production possibilities data, it can be concluded that
(1) resources of this country are homogeneous.
(2) the combination of 3 units of good X and 9 units of good Y is attainable.
(3) to achieve the combination of 3 units of good X and 9 units of good Y would not require to employ all its resources.
(4) the opportunity cost of producing good X increases as more units of good Y are produced.
(5) the opportunity cost of producing good X decreases as more units of goods Y are produced.

4. Which economic system is characterized by state ownership of capital and reliance on market allocation of resources?
(1) Capitalism
(2) Socialism
(3) Social market economy
(4) Socialist market economy
(5) Command economy

5. Which of the following is **not** a determinant of demand?
(1) The price of a substitute good
(2) The expected price of the good in next month
(3) The price of a complementary good
(4) The price of an input used to produce the good
(5) The income level of consumers

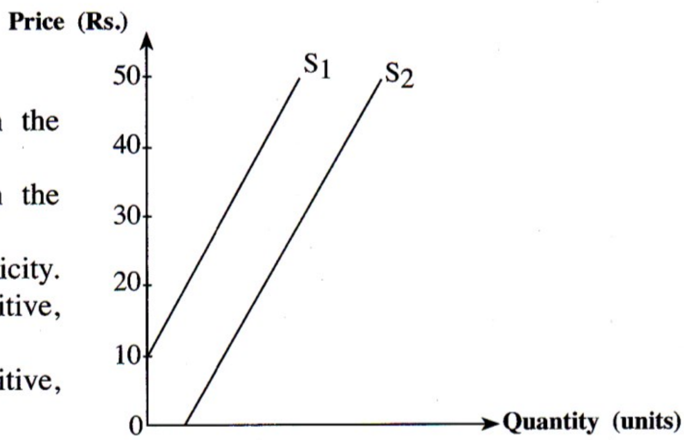
6. The demand and supply curves for oranges in a competitive market is given by the following equations respectively:

$$Q_D = 600 - 5P \qquad\qquad Q_S = -240 + 3P$$

If the price of an orange is set at Rs. 100 in this market, then there will be an
(1) excess demand of 40 units.
(2) excess supply of 40 units.
(3) excess demand of 350 units.
(4) excess supply of 350 units.
(5) equilibrium price and quantity remain unchanged.

7. If both demand and supply increase simultaneously, then
(1) the equilibrium price and the equilibrium quantity will increase.
(2) *the equilibrium price will fall but the equilibrium quantity will increase.*
(3) the equilibrium price could rise or fall but equilibrium quantity will increase.
(4) the equilibrium price will rise but the equilibrium quantity could increase or decrease.
(5) the equilibrium price will fall and the equilibrium quantity could increase or decrease.

8. The two supply curves in the diagram are parallel. In the price range between Rs. 30 and Rs. 40
(1) the curve S_1 is more price elastic than the curve S_2.
(2) the curve S_2 is more price elastic than the curve S_1.
(3) curves S_1 and S_2 have the same price elasticity.
(4) price elasticity values of curve S_1 are positive, but less than 1.
(5) price elasticity values of curve S_2 are positive, but more than 1.



9. If a firm wants to increase its revenue and it knows that the price elasticity of demand for its product is equal to -0.82, it should
(1) decrease the price because demand is elastic.
(2) decrease the price because demand is unitary elastic.
(3) decrease the price because demand is inelastic.
(4) increase the price because demand is inelastic.
(5) increase the price because demand is elastic.

10. In a competitive market, economic surplus is maximized when the
(1) quantity supplied equals the quantity demanded.
(2) quantity supplied exceeds the quantity demanded.
(3) quantity demanded exceeds the quantity supplied.
(4) price is set below the equilibrium price.
(5) price is set above the equilibrium price.

11. The demand for good X is price inelastic and income inelastic. Good X is also a substitute to good Y. Identify the good X from the table below.

	Price elasticity of demand	Income elasticity of demand	Cross elasticity with good Y
(1)	– 0.8	0.25	1.4
(2)	– 0.8	1.25	0.4
(3)	– 0.9	0.25	– 1.4
(4)	– 0.8	1.25	– 0.4
(5)	– 0.6	0.45	– 1.4

12. If a government passes an effective minimum wage law, the resulting change in employment will be the smallest when the
(1) labour demand is relatively elastic.
(2) labour demand is unitary elastic.
(3) labour demand is relatively inelastic.
(4) labour demand is perfectly elastic.
(5) labour supply is relatively elastic.

13. Assume that the market demand curve for eggs is $Q_D = 140 - 2P$ and the market supply curve of eggs is $Q_S = -10 + P$. Suppose the government decides to have a deficiency payment scheme with a guaranteed price floor set at Rs. 52 per egg. What is the cost of this programme to the government? (quantity is in million units)
(1) Rs. 312 million
(2) Rs. 126 million
(3) Rs. 84 million
(4) Rs. 80 million
(5) Rs. 6 million

14. In order to reduce the price of an essential consumer good, the government has decided to provide a per unit subsidy. As a result, the price of the good will fall most when the price elasticity of
(1) supply is elastic.
(2) supply is inelastic.
(3) demand is elastic.
(4) demand is inelastic.
(5) supply is unitary elastic.

15. In the short run, a perfectly competitive firm is producing where the marginal revenue is greater than the marginal cost. What should this firm do to maximize its short run profits?
(1) Increase the quantity they are producing.
(2) Decrease the quantity they are producing.
(3) Increase their marginal cost.
(4) Leave the industry.
(5) Increase production, so that MC > MR.

16. In order to minimize short-run losses, under which of the following conditions a profit-maximizing firm in a competitive market will necessarily shut down production?
(1) Total revenue is less than the total cost.
(2) Marginal cost is greater than the average total cost.
(3) Marginal cost is less than the marginal revenue.
(4) Average revenue is less than the average variable cost.
(5) Average revenue is less than the average total cost.

17. The table below shows the total cost and profits for different levels of output sold by a firm in a competitive market.

Output (units)	Total Cost (Rs.)	Profits (Rs.)
20	600	600
30	800	700
40	1000	800

According to this information, when the firm increases its sales from
(1) 20 units to 30 units, the price falls by Rs. 50.
(2) 20 units to 30 units, the price falls by Rs. 60.
(3) 30 units to 40 units, the price falls by Rs. 40.
(4) 30 units to 40 units, the price falls by Rs. 5.
(5) 20 units to 40 units, the price falls by Rs. 10.

18. Which one of the following statements concerning short-run costs is **false**?
(1) Average Total Cost and Average Variable Cost curves are ∪-shaped.
(2) The gap between Average Total Cost and Average Variable Cost is marginal cost.
(3) The gap between Average Total Cost and Average Variable Cost narrows as output increased.
(4) Marginal cost curve cuts the Average Variable Cost at its minimum point.
(5) Marginal cost curve cuts the Average Total Cost curve at its minimum point.

19. In an open economy model, the Gross Domestic Product is estimated as the sum of
(1) final consumption expenditure, gross domestic capital formation and net exports.
(2) private consumption expenditure, government consumption expenditure and exports of goods and services.
(3) final consumption expenditure, gross domestic fixed capital formation and net exports.
(4) final consumption expenditure, gross domestic fixed capital formation, changes in inventories, and exports of goods and services.
(5) private consumption expenditure, gross domestic capital formation and net exports.

20. Gross National Savings can be calculated by deducting which of the following from the Gross National Disposable Income?
(1) Taxes
(2) Final consumption expenditure
(3) Net exports
(4) Gross Domestic Capital Formation
(5) Transfer payments

21. Which of the following statements is correct?
(1) Earnings from gambling are included in the production boundary of national accounts.
(2) Consumption of durable capital goods is not a component in primary income.
(3) Growing vegetables in backyard garden for personal use is counted in the measuring of Gross Domestic Product.
(4) *Provision of free education services by the government is not counted in the measuring of* Gross Domestic Product.
(5) Mixed income is earned by all institutional units.

22. Suppose that last year's Real Gross Domestic Product of a country was Rs. 12 000 billion, this year's Nominal GDP is Rs. 16 500 billion, and the GDP Deflater for this year is 150. What is the growth rate of Real GDP of this country?
(1) 37.5% (2) 9.5% (3) – 6.4% (4) – 8.3% (5) – 27.3%

23. You are given the following macroeconomic data for a hypothetical economy.

Savings (S) = Rs. 500 billion
Budget deficit (BD) = Rs. 100 billion
Net exports (NX) = Rs. –50 billion

According to this information, what must be the level of investment (I) for this economy?
(1) Rs. 650 billion (2) Rs. 550 billion
(3) Rs. 450 billion (4) Rs. 400 billion
(5) Rs. 350 billion

24. Consider an economy where marginal propensity to consume is 0.9. How much will the total output in this economy increase, if the government transfers are increased by Rs. 500 billion?
(1) Rs. 450 billion (2) Rs. 500 billion
(3) Rs. 3500 billion (4) Rs. 4500 billion
(5) Rs. 5000 billion

25. In a hypothetical economy if real GDP is Rs. 10 000 billion, and full employment real GDP is Rs. 8 000 billion, which of the following combinations of policies might have brought the economy to this point?

(1) A decrease in taxes and an increase in policy rates
(2) A decrease in taxes and a decrease in interest rates
(3) A decrease in taxes and selling government securities in an open market operation
(4) An increase in government purchases and an increase in statutory reserve ratio
(5) A decrease in taxes and a decrease in government purchases

26. If you withdraw cash from your current account and put it under your mattress, how does it affect M_1 and M_2 monetary aggregates?

(1) Increases M_1 and decreases M_2.
(2) Increases M_2 and decreases M_1.
(3) It does not affect both M_1 and M_2.
(4) Decreases both M_1 and M_2.
(5) Increases both M_1 and M_2.

27. According to the assumptions of the Quantity Theory of Money, if the money supply increases by 10%, then

(1) nominal GDP would rise by 10% and real GDP would be unchanged.
(2) nominal GDP and real GDP would rise by 10%.
(3) nominal GDP would be unchanged but real GDP would rise by 10%.
(4) nominal GDP would be unchanged but the price level would rise by 10%.
(5) neither nominal GDP nor real GDP would change.

28. Which of the following is a cause of demand-pull inflation?

(1) Increase in direct taxes
(2) Increase in indirect taxes
(3) A sharp increase in the price of oil in the world market
(4) A decrease in government purchases of goods and services
(5) Purchases of government securities by the Central Bank

29. If a person deposits Rs. 5 000 in a current account at a commercial bank which maintains the required reserve ratio, the immediate effect is,

(1) a decrease in the money supply of Rs. 5 000.
(2) an increase in the money supply of Rs. 5 000.
(3) no change in the money supply, but in the future the money supply may expand because bank now has excess reserves.
(4) an increase in the money supply of Rs. 5 000, but in the future the money supply may further expand because bank now has excess reserves.
(5) A reduction in excess reserves equal to the amount that this person took out of circulation.

30. Expansionary monetary policy implies which of the following about the discount rate, policy interest rates, and aggregate demand?

	Discount Rate	Policy Interest Rate	Aggregate Demand
(1)	Decrease	Increase	Decrease
(2)	Increase	Decrease	Decrease
(3)	Increase	Increase	Decrease
(4)	Decrease	Decrease	Increase
(5)	Increase	Increase	Increase

31. Which of the following is **not** a global public good?

(1) World heritage sites
(2) Outer space
(3) Cyber security
(4) International peace and security
(5) National defence

32. Which one of the following options distinguishes merit goods from public goods?

	Merit goods	Public goods
(1)	Consumption reduces availability to others	Consumption does not reduce availability to others
(2)	Provided at market price	Provided at cost recovery price
(3)	Limited in supply	Have an infinite supply
(4)	Generates positive externalities	Generates negative externalities
(5)	Provided by the government	Provided by private companies

33. Market failures occur when
(1) some firms cannot find a market for their products.
(2) markets do not allocate resources efficiently.
(3) markets do not supply merit goods.
(4) demand exceeds supply leading to higher prices.
(5) government sets price controls on goods and services.

34. Vertical equity in taxation holds that
(1) those with equal ability to pay should bear equal tax burden.
(2) those who benefit the most from government services should bear the higher tax burden.
(3) those with greater ability to pay should bear higher tax burden.
(4) those with equal ability to pay should bear unequal tax burden.
(5) all income earners should pay the same proportion of their income.

35. How is the government's Gross Financing Needs calculated?
(1) Gross Financing Needs = Government total revenue and grants – recurrent expenditure without interest payments – capital expenditure
(2) Gross Financing Needs = Government total revenue and grants – total government expenditure + amortisation payments
(3) Gross Financing Needs = Government total revenue and grants – (recurrent expenditure + capital expenditure + interest payments)
(4) Gross Financing Needs = Government total revenue and grants – (total government expenditure – net lending)
(5) Gross Financing Needs = Government total revenue and grants – (recurrent expenditure + amortisation payments)

36. As it relates to international trade, dumping is
(1) a form of price discrimination practiced by multinational corporations.
(2) a practice of selling goods in a foreign market at a price lower than it is sold in the home market.
(3) a form of selling more goods than allowed by an import quota.
(4) a country's strategy to rectify its trade deficit.
(5) a complete ban on imports from a certain country.

37. Sri Lanka's largest buyer of exports is
(1) United States of America. (2) European Union. (3) United Kingdom.
(4) China. (5) India.

38. The table below shows output per unit of labour input in Sri Lanka and India in the production of cinnamon and onion.

Commodity	Sri Lanka	India
Cinnamon	10	20
Onion	30	100

For mutually beneficial trade to occur, at what exchange rate would Sri Lanka be willing to trade with India?
(1) Less than 2 units of onion per one unit of cinnamon
(2) Less than 3 units of onion per one unit of cinnamon
(3) More than 5 units of onion per one unit if cinnamon
(4) Between 3 and 5 units of onion per one unit of cinnamon
(5) Between 2 and 4 units of onion per one unit cinnamon

39. Trade in services is a component of the current account of the balance of payments. Which one of the following is an example of a trade in services?
(1) Development aid for foreign countries
(2) Export revenue from primary commodities
(3) Workers' remittances
(4) Earnings from foreign tourists
(5) Coupen payments for portfolio investments

40. The largest proportion of workers' remittances coming to Sri Lanka originates in
(1) European union. (2) Middle East.
(3) North America. (4) South Asia.
(5) South-East Asia.

41. An appreciation of country's currency is likely to increase its surplus in the trade balance if
(1) the sum of the elasticity coefficients of demand for exports and imports is less than unity.
(2) terms of trade become more favourable and demand for exports is more price elastic.
(3) the country exports manufactured goods and imports raw materials.
(4) demand for both exports and imports is elastic.
(5) export volume is large compared with import volume.

42. The table below shows some data pertaining to Current Account and Financial Account of the Balance of Payments for a hypothetical economy.

Item	Value (Rs. billion)	Item	Value (Rs. billion)
Financial Derivatives	25	Balance on Goods and Services	– 160
Net Primary Income	– 40	Net Secondary Income	20
Direct Investment	60	Portfolio Investment	50
Reserve Assets	15	Capital Account Balance	?

What is the balance of the Capital Account for this economy?
(1) Rs. 30 billion surplus (2) Rs. 30 billion deficit
(3) Rs. 150 billion deficit (4) Rs. 150 billion surplus
(5) Rs. 180 billion deficit

43. Many governments adopt sustainable economic growth as a macroeconomic policy objective. What is meant by sustainable economic growth?
(1) Increasing the current productive potential of the economy as fast as possible
(2) Increasing the current productive potential of the economy by using only low-cost resources
(3) Increasing the current productive potential of the economy without reducing future productive potential
(4) Increasing the future productive potential of the economy as fast as possible
(5) Increasing the current productive potential to minimize the economy's dependence on natural resources

44. Which international organization publishes the Human Development Index (HDI) to assess and compare the levels of development in different countries?
(1) World Bank
(2) United Nations Development Programme
(3) Asian Development Bank
(4) International Monetary Fund
(5) World Trade Organization

45. The World Bank currently uses the international poverty line for low income countries as
(1) \$ 1.00. (2) \$ 1.75. (3) \$ 2.15. (4) \$ 3.65. (5) \$ 6.85.

46. The table below shows some data related to labour force of a hypothetical Economy.

Year	Labour Force (million)	Unemployed (million)	Working-age population (million)
Year 1	15	3	25
Year 2	20	4	30

According to the above data, which of the following best describes the changes to the rate of employment and the rate of labour force participation of this country from Year 1 to Year 2?

	Rate of Employment	Labour Force Participation Rate
(1)	Decreased	Increased
(2)	Increased	Unchanged
(3)	Unchanged	Increased
(4)	Increased	Increased
(5)	Unchanged	Decreased

47. Suppose the Gini coefficient of a hypothetical economy has changed from 0.35 to 0.42. An increase in which of the following is most likely to have caused this?

(1) Value Added Tax on essential consumer goods
(2) The tax-free threshold for income taxpayers
(3) Transfer payments to the unemployed
(4) Business spending on training
(5) Government spending on social safety nets

48. Which of the following best describes the primary objective of Samurdhi programme?

(1) Reducing unemployment in rural and estate sectors
(2) Reducing poverty and income inequality
(3) Encouraging small enterprises in the urban sector
(4) Supporting higher education of children in low income families
(5) Promoting economic growth

49. The Paris Club deals primarily with the restructuring of

(1) medium and long term public debt held by private creditors including commercial banks.
(2) medium and long term public debt of developing countries borrowed from developed countries.
(3) medium and long term public debt issued by a member country to a sovereign borrower.
(4) Public debt with short-term maturity.
(5) public debt owed to multilateral lending institutions.

50. What are the three key state-owned enterprises that have been identified for restructuring under the current IMF Extended Fund Facility arrangement in Sri Lanka?

(1) Ceylon Petroleum Corporation, Lanka Sathosa and Sri Lanka Telecom
(2) Ceylon Petroleum Corporation, Ceylon Electricity Board and Sri Lankan Air Lines
(3) Road Development Authority, Milco (Pvt.) Ltd. and Ceylon Fisheries Corporation
(4) Lanka Phosphate Ltd., Sri Lankan Air Lines and National Water Supply and Drainage Board
(5) Ceylon Electricity Board, Sri Lanka Ports Authority and Sri Lanka Transport Board

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ආර්ථික විද්‍යාව II **Economics II**	**21 E II**	
පැය තුනයි ***Three hours***		අමතර කියවීම් කාලය - මිනිත්තු 10 යි **Additional Reading Time - 10 minutes**

Use additional reading time to go through the question paper, select the questions you will answer and decide which of them you will prioritise.

Instructions:

* *Answer **five** questions only, selecting minimum of **two** questions from Sub section '**A**' and **two** questions from Sub section '**B**'.*
* *Graph papers will be provided.*

Sub section 'A'

(*Select minimum of **two** questions from this section.*)

1. (i) Why do problems related to allocation of resources in an economy arise? (03 *marks*)

(ii) What is meant by renewable resources? Give an example for such resources. (03 *marks*)

(iii) How does the division of labour contribute to increase productivity and efficiency in production processes? (04 *marks*)

(iv) State **four** major weaknesses of a command economy. (04 *marks*)

(v) "An economy's present choice of the position on its production possibilities curve is a major factor in determining the economic growth". Explain your answer using diagrams. (06 *marks*)

2. (i) Distinguish between a normal good, an inferior good, and a Giffen good. (03 *marks*)

(ii) Outline the functions of price in a market economy. (03 *marks*)

(iii) Briefly describe **two** reasons for a supply curve to be positively sloped? (04 *marks*)

(iv) Why is a linear demand curve more price elastic at higher price ranges and more price inelastic at lower price ranges? (04 *marks*)

(v) (a) Define income effect and substitution effect of a price change. (02 *marks*)

(b) How are they related to the Law of Demand? (04 *marks*)

3. (i) Under what circumstances would a unit tax on a good leave both market price and quantity bought unaltered? Explain your answer using a diagram. (04 *marks*)

(ii) Explain whether the following statements are **true** or **false**.

(a) Consumer surplus is shown graphically as the area under the demand curve and above the supply curve.

(b) An increase in the market price due to decrease in supply will increase consumer surplus.

(c) If the market price of a good falls as a result of a decrease in demand, additional producer surplus is generated. (02 × 3 = 06 *marks*)

(iii) Assume that the market demand curve for paddy is $Q_D = 120 - 0.5P$ and the market supply curve of paddy is $Q_S = -30 + P$. (Quantities are in million units)

(a) What is the market equilibrium price and the equilibrium quantity? (02 *marks*)

(b) Suppose the government has decided to introduce a 'price support programme' with a price floor set at Rs. 120 per kilogramme. What is the excess supply in this market? (02 *marks*)

(c) What is the cost of this programme to the government? (02 *marks*)

(d) Calculate the amount of dead-weight loss due to this price support programme. (04 *marks*)

4. (i) What is the difference between accounting profit and economic profit? (04 *marks*)

(ii) State **four** main features of an oligopolistic market. (04 *marks*)

(iii) Explain why the firm is a price taker and it cannot choose the price at which it sells its products in a perfectly competitive market. (04 *marks*)

(iv) Assume that the market for carrot is perfectly competitive. The market price is Rs. 200 per kilogramme. Sarath, a carrot farmer sells 50 kilogrammes a week. His marginal cost is Rs. 150 per kilogramme.

(a) Calculate Sarath's total revenue and marginal revenue per week. (02 *marks*)

(b) Is Sarath maximizing profit? Explain your answer. (02 *marks*)

(c) The market price of carrot falls to Rs. 100 per kilogramme and Sarath reduces his output to 30 kilogrammes per week. His average variable cost falls to Rs. 80 and marginal cost falls to Rs. 100 per kilogramme. His average fixed cost rises to Rs. 40 per kilogramme. Is he maximising profit? Is he making an economic profit or incurring a loss? Explain your answer. (04 *marks*)

5. (i) How would the following events affect Gross Domestic Product? Explain.

(a) Members of the Parliament vote for a decrease in their salaries with immediate effect.

(b) An investor buys a piece of land with intention of building a housing complex.

(c) A retired worker gets an increase of Rs. 2 500 in pension allowance.

(d) Firms increase their inventories. (04 *marks*)

(ii) What are the main sources of primary income to be included in the estimation of Gross Domestic Income? (04 *marks*)

(iii) Suppose the government increases transfer payments by Rs. 100 billion and increases autonomous taxes by the same amount. What is the net effect on the economy due to this change? Explain the answer. (02 *marks*)

(iv) Assume the following macroeconomic model for a hypothetical economy.

Consumption (C)	=	$420 + 0.8Y_D$
Transfer payments (Tr.)	=	200
Autonomous taxes (T)	=	250
Investment (I)	=	160
Government purchases (G)	=	100
Net exports (NX)	=	– 40

(*values are in billion Rupees*)

(a) What is the equilibrium level of national income for this economy? (04 *marks*)

(b) Calculate the disposable national income and aggregate savings. (02 *marks*)

(c) By how much would investment spending have to change to reach an equilibrium national income to Rs. 4 000 billion? (04 *marks*)

Sub section 'B'

(*Select minimum of* **two** *questions from this section.*)

6. (i) Distinguish between GDP deflater and consumer price index. (04 *marks*)

(ii) What are the costs of inflation? (04 *marks*)

(iii) (a) What is meant by 'high-powered money'? (02 *marks*)

(b) Name **two** factors determining the stock of high-powered money in an economy? (02 *marks*)

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

Liabilities		Assets	
Demand deposits	2000	Reserves	500
Capital	1300	Loans	1600
		Buildings	1200
Total	**3300**	**Total**	**3300**

(Figures are in million Rupees)

If the required reserve ratio is 10%, what would be the amount of excess reserves of this bank? (02 *marks*)

(v) Describe **three** major tools could the Central Bank use in pursuing a contractionary monetary policy? (06 *marks*)

7. (i) Explain the impact of external benefits and external costs on resource allocation. (04 *marks*)

(ii) (a) State **two** examples for merit goods. (02 *marks*)

(b) Explain why merit goods are often under-consumed in the absence of government intervention. (02 *marks*)

(iii) What is meant by excess burden of taxation? (02 *marks*)

(iv) State **four** measures taken by the government recently to reverse the declining trend of public revenue in Sri Lanka. (04 *marks*)

(v) Why the balance of the primary account is so important in determining the sustainability of public debt of a country? (06 *marks*)

8. (i) Distinguish between the concepts of 'absolute advantage' and the 'comparative advantage' in the context of foreign trade. (04 *marks*)

(ii) Provide **two** arguments each for and against the protectionism in international trade. (04 *marks*)

(iii) How can a trade balance of a country be affected by changes in its exchange rate? (04 *marks*)

(iv) What is the significance of an improvement of commodity terms of trade in a country? (03 *marks*)

(v) Mention **five** factors that led to a sharp depreciation of the Sri Lankan Rupee against the US dollar in the recent years. (05 *marks*)

9. (i) Multi-dimensional poverty index is based on three dimensions of poverty. What are these **three** dimensions? (03 *marks*)

(ii) Using Gross National Income per capita in US dollars, the World Bank classifies countries into four income groups. Name these **four** groupings. (04 *marks*)

(iii) Describe the role of technological progress in economic growth process? (04 *marks*)

(iv) Distinguish between structural unemployment and cyclical unemployment. (04 *marks*)

(v) Name **five** key social safety net programmes implemented in Sri Lanka at present.(05 *marks*)

10. (i) (a) What is meant by the concept of 'food security'? (02 *mark*)

(b) State **three** factors influencing the food insecurity in Sri Lanka at present. (03 *marks*)

(ii) Briefly mention the economic impact of migration of youth and middle-class professionals from Sri Lanka in the recent time. (04 *marks*)

(iii) How does the concept of 'circular economy' contribute to promote sustainable development and reduce environmental impact? (05 *marks*)

(iv) What are the key quantitative targets assigned to Sri Lanka under the current IMF agreement to achieve sustainability in public debt through debt restructuring process? (06 *marks*)