

De Mazenod College- Kandana
G.C.E.(A/L) Examination 2018
Economics I
Grade 12- 1st Term Evaluation 2016 November

25.11.2016

Select the most appropriate answer and write in brackets

duration : 1 hour

- (1) Which of the following is a micro economic statement ?
- 1) Milk powder prices increased by 5% last year
 - 2) Unemployment was 5.8% last year
 - 3) The real gross domestic product of the economy increased by 6.5%
 - 4) The general price level increased by 4% last year
 - 5) The tax revenue of the government decreased by 8% last year
- (.....)
- (2) The three main decision making groups in any economic system are
- 1) Households, business firms and banks
 - 2) Households, business firms and production firms
 - 3) Business firms , government , non government sector
 - 4) Households, business firms and government
 - 5) Government, households and state sector
- (.....)
- (3) The opportunity cost of a particular activity
- 1) Is common for everyone engaging in that activity
 - 2) Includes monetary cost only
 - 3) Includes forgone income only
 - 4) Includes both monetary cost and foregone income
 - 5) Includes only direct financial cost
- (.....)
- (4) Consider the production possibilities frontier of a certain economy. Along the curve,
- 1) Technology changes in each level
 - 2) One production can be increased without any sacrifice
 - 3) Resources are not being fully utilized
 - 4) Full employment and full production is seen
 - 5) There is economic efficiency at any point
- (.....)
- (5) If all the resources are perfect substitutes of a certain economy
- 1) Output of all goods could be increased
 - 2) The production possibilities frontier will be straight line sloping downwards from left to right
 - 3) The production possibilities frontier will be a straight line sloping upwards from left to right
 - 4) Scarcity of resources would be eliminated
 - 5) The production possibilities frontier will bend outward
- (.....)
- (6) The economy based on capitalism includes all of the following except
- 1) A price system based on demand and supply
 - 2) A system of private property
 - 3) Self interest among households and entrepreneurs
 - 4) Freedom of enterprise
 - 5) Collection of data for a planning process
- (.....)
- (7) The degree of government involvement is much heavier in a
- 1) Price mechanism
 - 2) A market economy
 - 3) Planned economy
 - 4) Traditional economy
 - 5) A social market economy
- (.....)



- (8) The concept of scarcity in economics refers to a condition where
- 1) Society is not utilizing all of its available resources in an efficient manner
 - 2) People's wants can never be satisfied by the available resources
 - 3) Some members of each society live in poverty
 - 4) Production is efficient but the distribution is inefficient
 - 5) All the resources are unlimitedly supplied to fulfill never ending wants
- (9) The production possibilities boundaries are drawn concave to the origin to reflect the
- 1) Decreasing opportunity cost of producing more of either goods
 - 2) Scarcity of resources in the economy
 - 3) Constant opportunity cost of producing more of either goods
 - 4) Unfair distribution of resources in the economy
 - 5) Increasing opportunity cost of producing either goods
- (10) In a free market economy which of the following is incorrect?
- 1) Prices allocates resources equally among competing production sectors in the economy
 - 2) Prices indicates relative scarcity and costs of production of goods and services
 - 3) Relative price changes are a determinant of firms profits and therefore encourage or discourage production
 - 4) Prices are measures of consumers willingness to pay for goods and services
 - 5) Prices signal to consumers how much they must sacrifice to obtain a commodity
- (11) The main task of price mechanism in a free market economy is
- 1) Distribution of resources in a way that the market failures are minimized
 - 2) Deciding the resource distribution among alternative aims of the society
 - 3) Distribution of resources to produce the most preferred production
 - 4) Distribution of resources by maintaining the macroeconomic equilibrium
 - 5) Guide the government to solve the basic economic problems
- (12) Select the correct definition of a 'mixed economy'
- 1) A method of resource distribution to satisfy the needs of both consumers and producers
 - 2) A method of allocating a certain amount of resources to produce consumer goods and a certain amount to produce the capital goods
 - 3) A method of resource distribution partly by the private sector and partly by the government sector
 - 4) A method of resource distribution based on the expenditure decisions of entrepreneurs
 - 5) A method of resource distribution based on the expenditure decisions of consumers
- (13) The problem of 'for whom to produce' in a free market economy is decided by
- 1) The prices of factor market
 - 2) The decisions of the consumers
 - 3) The decisions taken jointly by government, consumers and businesses
 - 4) The prices of commodity market
 - 5) The prices of both factor market and commodity market
- (14) Which of the following is not a task that the government to be taken to correct the market inefficiencies?
- 1) Levying taxes from different sources to perform different government activities
 - 2) Maintaining the market competition
 - 3) Reallocation of resources
 - 4) Income redistribution
 - 5) Creation of macro economic equilibrium
- (15) Which of the following is not done by the price mechanism of a free market economy
- 1) Signaling the changes of consumer choice
 - 2) Supply responses to changes in demand
 - 3) Removal of excess supply and excess demand
 - 4) Ensuring the fair income distribution among the households
 - 5) Controlling the whole economy

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(.....)

(.....)

(.....)

(.....)

(.....)

(.....)

(.....)

- (16) Which of the following is not a disadvantage of a free market economy?
- 1) Not supplying of public goods
 - 2) Under production of welfare goods
 - 3) Minimizing of resource distribution inefficiencies
 - 4) Over production of demerit goods
 - 5) Not considering the externalities (.....)
- (17) Which of the following is not a determinant of king coconut demand of a consumer?
- 1) Prices of king coconut
 - 2) Prices of substitutes such as tea, coffee, cool drinks
 - 3) Consumer taste
 - 4) Number of king coconut consumers
 - 5) Weather condition (.....)
- (18) For what do we say that there is a unlimited supply even at a zero price as given in economics
- 1) For economic goods
 - 2) For free goods
 - 3) For property resources
 - 4) For Giffen goods
 - 5) For inferior goods (.....)
- (19) What is included in the 'Capital Goods'?
- 1) The production supportives produced by man to use in the production process of goods and services
 - 2) The intermediate inputs which are needed to produce goods and services
 - 3) The long term assets which are used to produce goods and services
 - 4) All the goods which are still under the process of production
 - 5) The newly added amount to the existing amount of capital stock (.....)
- (20) If the demand increases when the income increases, they are
- 1) Giffen goods
 - 2) Normal commodities
 - 3) Inferior goods
 - 4) Substitute commodities
 - 5) Complement commodities (.....)

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Economics II
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Answer only four questions

duration : 2 hours

- (01) (i) state how economics differ from other natural sciences? (4 marks)
(ii) state the practical importance of learning economics (4 marks)
(iii) state the difference between needs and wants (4 marks)
(iv) state the difference between economic resources and non economic resources (4 marks)
(v) differentiate between renewable and non renewable resources (4 marks)
- (02) (i) state the four categories of economic resources. Give one example for each (4 marks)
(ii) state why money is not considered as capital resource in economics? (4 marks)
(iii) what is economically inactive population? What do you include in it? (4 marks)
(iv) main determinant of economic growth of an economy is investment. State the determinants of investment (4 marks)
(v) who is an entrepreneur? Write the main tasks of him (4 marks)
- (03) (i) what is scarcity? Explain why choice is unavoidable when scarcity exist (4 marks)
(ii) what is opportunity cost? State the instances where opportunity cost gets zero (4 marks)
(iii) 'water is not an economic resource as it is a gift of nature' do you agree? explain (4 marks)
(iv) differentiate between commodity market and factor market (4 marks)
(v) explain the income effect and substitute effect of price decrease of the concerned Product (4 marks)
- (04) (i) what is production possibilities frontier? List its main assumptions (4 marks)
(ii) what factors cause the PPC to shift outwards (2 marks)
(iii) what does increasing opportunity cost mean? What are the implications of this concept for the shape of the PPC? (4 marks)
(iv) draw the production possibilities frontier for a country facing increasing opportunity cost for producing paddy and textile. Show how the PPF changes given the following events
a) A new and better fertilizer is invented
b) There is a surge in the quantity of labour which can be employed in both sector
c) A severe drought results in a 10% decrease in usable farmland
d) A new technology is invented in the textile industry to reduce cost of production (6 marks)
(v) state the difference between productive efficiency and allocative efficiency of resources (4 marks)
- (05) (i) what is an economic system? State the main tasks of an economic system (4 marks)
(ii) why does a diversity between economic systems exist? (4 marks)
(iii) write the main characteristics of a market economic system (4 marks)
(iv) write two advantages and two disadvantages of a centrally planned economy (4 marks)
(v) what are the criteria used to assess an economic system (4 marks)