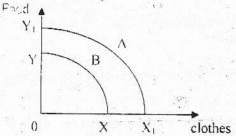
De Mazenod College- Kandana G.C.E.(A/L) Examination 2017 Economics I Grade 13-1st Term Evaluation

1.12.2016

Duration: 2 hours

Select the most appropriate answer and write the number in brackets

(1) Following diagram shows how the production level changed from A to B after the economic growth process of a certain hypothetical economy





Which can be the reason for such a change?

- 1. Skilled labourers of both industries migrating to other countries
- 2. Dropping of labour productivity in both industries
- 3. Decrease of aggregate demand of both industries.
- 4. Removing of production subsidies by the government
- 5. Privatization of government assets

(.....)

- (2) Which of the following factors could affect to decrease the opportunity cost of allocating resources for consumption activities?
 - 1. Existing of inflation in a constant level
 - 2. Decrease of interest rates
 - 3. People moving towards higher income levels
 - 4. Decreasing the tax rates by the government
 - 5. Expansion of money supply by the central bank

(.....

- (3) Labour is known as a quick destroying factor because
 - 1. The labour productivity decreases as the labourer step into old age
 - 2. The time that the labourers can be employed is limited
 - 3. The labour gets depreciated with the time factor
 - 4. There are age limits for labour force
 - 5. The bargaining power of labour is weak

(.....)

- (4) The main determinant of production distribution in a free market economy is
 - 1. Price signals of commodity market
 - 2. Price signals of factor market
 - 3. Price signals of both commodity market and factor market
 - 4. Direct intervention of government on income distribution
 - 5. The strikes organized by the labourers to increase the wages

(....)

- (5) All the factors except one of the following affect the decline of a planned economic system. Select that factor which does not affect
 - 1. Existing of mismatches between market demand and market supply
 - 2. Decline of quality of the products
 - 3. Non existence of sufficient incentives
 - 4. Environmental degradation
 - 5. Minimum distribution disparities

(.....)

(6) Whic	h of the fol	llowing can be conside	red as a benefit of a p	lanned ecor	nomy theoretically?	
	Coming	anto decisions based o	II social cost and beni	efits		
2.	2nowing	decreasing returns to	scale in production			
3.	Governn	nent always maintain a	halanced budget			
4.	Produch	on pattern shows the c	onsumer preference			
5.	Existenc	e of a perfect substitut	ability between capita	al and labou	ır	()
(7) One a						()
(7) One o	i the main	component in a free m	arket economy is			
1.	Higher 6	overnment interventio	n			
2.	Public pr	roperty ownership				
3.		wnership		*		
4.	Wages an	nd prices are determine	ed by a central planni	ng authority	variable to the same	
5.	Combina	tion of both private an	d state entrepreneurs	hip		()
(b) Marke	Private pr	system is established	based on four factors	. Select the	answer which do not affe	ect
2.	i in aire pi	reperty				
3.		merprise				
						Fig. 1. April 10 September 11 September 11
4.	Competit	ive propaganda				
3.	Freedom	of choice				()
(9) The pri	ce elasticit	v of demand for hall	00/14-1-1-20			
300 uni	ts exist. If	the price decreased to	Rs 20 what quantity	ien the price	e of a pen becomes Rs.25	a demand of
	900	2. 600 3. 1	80 4. 560	would be (AND	
			4. 500	٠. د	480	()
(10) The	demand o	chedule and the bate				
impose	demand si dis given b	valore and the before	and after supply sch	edules of a	commodity when a unit	ax is
тирозск	i is given t	ciow.				
F	Deios De	Consider a second	<u> </u>			
	1 Hee NS, 1	Quantity demanded	Quantity supplied b	efore tax	Quantity supplied after ta	iX
41 - 41 - 24 - 4	12	50	20		0	
	13	50	20			
			30		10-	
	14	50	40		20	
	15	50	50		30	
	16	50			1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	
			60		40	
M7leo	المانية					
vviia 1 T	ers me ami Rs. 1	ount of the tax impose				
	VS. 1	2 .Rs. 2 3, Rs	s. 3 4. Rs. 4	5 I	Rs. <u>5</u>	- ()
1) 4						
(1) A ce	rtain produ	ict is sold only at the p	revailing market price	ce. If the pri	ice increased even by a sr	nali
Personiture	se, the qual	mny demanded decrea	ise to zero. The mark	et demand	for that commodity is	
1 l	Initary elas	stic 2. Elastic	3. Inelastic 4	. Perfect in	elastic 5. Perfect ela	
				I circet iii	Clastic 3. Periect els	ISHC
						· · · · · · · · · · · · · · · · · · ·
2) Whic	h of the to	Howing should exist to	o ensure the law of d	emand und	er the income effect of pr	The second secon
of the cor	occrned pro	oduet?	o ensure the law of u	emand und	er the income effect of pr	ice decrease
		rve should be a straigh	nt line with a manetic			
2. N	lominal inc	come should be uncha	n and with a negative	e siope		
3 1	come else	tigity of damond also	nged			
4 p	urchaeina	sticity of demand shou	ia be positive			
5 n	ocitive	power should increase	as the nominal inco	me is const.	ant	
J. 1	ositive sub	stitute effect should b	e more powerful that	n the negati	ve income effect	()
						()
Page			· · mire i · · o			

1.12-2016 Grade 13 Econ

(13) The straight line demand equation of a certain commodity is given as Qd = 500 - 5Phe q. What is the quantity demanded of this product when the demand elasticity takes perfect 1?

1. 200

2, 250

3.300

4.350

5.400

(.....)

(14) Assume that the supply equation of a given commodity is Qs = 100 + 10P, the supply equation of this product when a Guit tax of Rs.5 is imposed

1. Qs = 100 < 5P

4. Os = 100 + 50P

2. Qs 100 F15P

5: Os = 500+ 50 P

3. Qs 50 + 10P

(.....)

(15) A certain product has an inverse relationship between price and quantity in its demand and a positive relationship between price and quantity in supply. 5000units of this product is sold at Rs.50 at a certain instance and in anther instance 8000 units are sold at Rs. 60. This change can happen due to

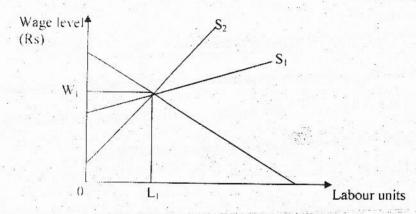
1. Increase of price of a complement good

2. Increase of price of a substitute good

- 3. Imposing a sales tax on this commodity
- 4. Increasing the productivity of inputs
- 5. Increasing the price of raw material

(.....

(16) The following diagram represents the labour market situation related to a certain occupation



What would be the effect on transfer earning and economic rent when the market supply curve shifts from S₁ to S₂

		Transfer earnings	Economic rent
	1.	Increase	Increase
-	2.	Unchanged	Decrease
	3.	Increase	Decrease
1	4.	Decrease	Increase
	5.	Decrease	Unchanged
1		Standard Market Market Standard	

(.....)

(17) The producer surplus when the market supply curve is given as Qs = 100+20P and the market price is Rs.10

 $R_{s.500}$ 2 Rs. 1000

3. Rs. 1500

4. Rs. 2000

5. Rs. 2500

(.....)

- (18) Income elasticity of demand for commodity X takes a negative value and the cross elasticity of demand between X and Y commodities takes a value. Accordingly, which of the following is true regarding X?
 - 1. X is a normal good and it is a substitute for Y
 - 2. X is a normal good and it is a complement for Y
 - 3. X is an inferior good and it is a substitute for Y
 - 4. X is an inferior good and it is a complement for Y
 - 5. X is a normal good and Y is an inferior good

(....)

(19) Demand and supply equations for a product sold in a competitive market are given below Qd 600 10P Qs -100 + 10P

If a Rs. 10 unit tax is charged from producers of this product, what is the tax revenue of the government?.

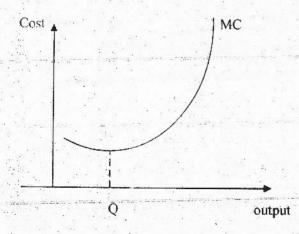
- 1. Rs : 1000 . 2. Rs. 2000
- 3 .Rs. 3000
- 4. Rs. 4000
- 5.Rs. 5000
- (.....)
- (20) A production firm has to increase the daily wages of a labourer from Rs. 800 to Rs.850, when the labour force of the firm is increased from 100 to 101 per day. Accordingly, what is the marginal cost of labour per day?
 - 1. Rs. 50
- 2. Rs. 850
- 3., Rs. 5850
- 4. Rs. 80 000
- 5. Rs. 85 850
- (.....)
- (21) The annual production cost of a firm is calculated by an economist and presented as follows

Item	Cost (rs thousand)
Wages and salaries	150
Opportunity cost of time of owner	40
Cost of purchasing material	80
Rem	30
Marketing cost	20
Interest payments for bank loans	25
Interest income forgone by the owner for capital	15

By how much the cost calculated by the economist exceeds the cost calculated by the accountant?

- 1. Rs. 30,500
- 2 .Rs, 55 000
- 3 .Rs. 85 000
- 4. Rs. 305 000
- 5. Rs. 360 000
- (.....)

(22) The following diagram shows the short run marginal cost curve of a firm



Which of the following could be the reason for upward slope of the curve when the output is increased more than Q?

- 1. Obstacles for entry
- 4. Law of Diminishing returns
- 2. Diseconomies of scale
- 5. Marginal utility

3. Inclastic supply

(23) Information related to a short run production process of a certain product is given below

Output	Total cost	Marginal cost
	200	600
5	420	220

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When the firm produces 5 units

100000		
	Average fixed cost	Average variable cost
1.	28	56
2.	40	44
3.	84	12
4.	60	40
5.	12	30



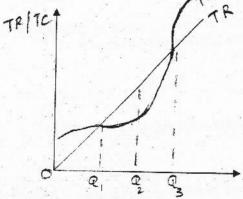
(24) A firm was obtaining a 40 unit productivity when 4 units of labour and 10 units of capital is blended. If the marginal productivity increased by 15 units as an extra labourer is recruited, the increase of average productivity is

2.10

4. 12.5

5.11

The following diagram shows the behavior of total revenue and total cost of a perfectly competitive production firm.



Where can the firms marginal revenue (MR) can equal the marginal cost (MC) as the firm maximized the economic profits?

- L. At Q₁ output level
- 2. At Q2 output level
- 3. At Q₃ output level
- 4. Between the range Q₁ and Q₂
- 5. Between the range Q2 and Q3

- What is the reason for earning only normal profits in the long run by a perfect competitive firm? (26)
 - 1. Pacing a given price by the firm
 - 2. Problem of obtaining market information
 - 3. Entering of new firms to the industry through free entry
 - 4. Producing homogeneous products
 - 5. Non existence of market propaganda



- The vertical distance between the total cost curve (TC) and total variable cost curve (TVC) is (27)
 - 1. Decreased when output decrease
 - 2. Increased when output decrease
 - 3. Equals to marginal cost (MC)
 - 4. Equals to total fixed cost (TEC)
 - 5. Equals to average fixed cost (AFC)

	a di the following chap		THOUGHE ARE DIOUDERON IN THE	e short run?
	1. Opportunity cost	takes a zero value if a firm do 4. Average total of	ost	- Livit ruit,
	2. Total Variable cost	5. Total cost		
	3. Total fixed cost			()
				()
9)	The aggregate consumption i	unction of a simple economy	is $C = 250 + 0.75 \text{ Y}$ and inve	stments I=450. The
eq	uthing am output level of this ea	conomy is		
	4. i 800 2. 2800	3, 3600 4, 7200	5. 9000	()
9)	The increase of which factor	of the following would increa-	se the investment multiplier?	
	I. Money supply	4. Marginal proper	nsity to consume	(
	2. Equilibrium output	5. Statutory reserv		
	3. Personal income tax rate	, , , , , , , , , , , , , , , , , , , ,		()
3				()
1)	In the contraction period of a	husinose evela		
1	L. Output decreases and the	investments increase		
100	2. Output decrease and unci	universiments increase		
	3. Output increase and unen	mproyment increase		
	4. Output increase and unen	nhoyment decrease		
	4. Output increase and unen	uployment decrease		
	5. Both output and unemplo	yment increase		()
)	 Rs. 80.25 billion Rs. 160 billion Which of the following will g increase of taxes by Rs. It Decrease of taxes by Rs. It 	00 million	e aggregate demand?	()
	3. Increase of government pr	urchases by Re 100 million		
	4. Increase of taxes by Rs.10	it million and increase of gov	remment nurchoose by Do. 10	M million
	5. Decrease of taxes by Rs.1	(0) million and increase of gov	vernment purchases by Rs. 10	MULLION
.: :		or minor and increase of go	vernment purchases by As. 1-	
				()
mar	The aggregate savings function giant propensity to save (MI ease?	on of a certain economy is g 2S) and average propensity t	iven by the diagram. What to save (APS) when the dis	is the effect on the sposable income is
		(Rs.million)		
		/\$		
				**
· · · ·				
			Disposable income (Rs. Mil	

	MPS	APS
1.	Unchanged	Increase
2.	Decrease	Increase
3.	Increase	Decrease
4.	Increase	Increase
5.	unchanged	decrease

(.....

Grade 13

(25)	Ecan	
(35)	B is moraged in personal income this exchinen from handbar income.	
	4. Undistributed profits	
	2. Transfer payments 5. Net interest	
	3. Social protection contributions	7
		()
(36)	The expenses that should be added to calculate the gross domestic product to the expenditure at	
	1. Wages, profits, government purchases, net exports	proach is
	2. Wages, rent, interest and profits	
	3. Consumption, investments government purchases and avnata	
٠.		
	4. Consumption, investments, government purchases, net exports	
40	5. Consumption, government purchases, taxes and interest	(,)
(37)	Select the cooperations in the second	
(37)	Select the economic activities taken into consideration when calculating the national accounts	1.00
121	A - dreeding of fish in a tank	
	B - forestry cultivated by man	
	C – learning and leisure	
	D - collecting water in a tank and distributing for agriculture	
	and an arrival magnetic and a green and a second a second and a second a second and	
	1. A and B 2. C and D 3. A and C 4. B and D 5. A and D	
	그렇게 되는 그리지는 현실을 받으면 보내를 하게 되었다. 그 이 취원이 되어 되었다면 하지 않아 되지 않을 때 살아.	()
(38)	Which of the following are not considered as economic activities which are taken place in a	household
u	### - B - B - B - B - B - B - B - B - B	nousenoid
	1. Hunting and fishing for own consumption	
	2. Weaving of clothes and supplying of water	
	3. Taking care of old aged ones in the family	
	4. Weaving of clothes and sewing clothes	
	5. Preparing fish and meat for preservation	
	5. Preparing fish and meat for preservation	()
(39)	Identify the collective covernment	
(02)	Identify the collective government consumption expenditure out of the following government e. 1. Education 4. social protection expenses	xpenses
	4 social protection expenses	
	2. Health 5. Expenses on sports and leisure	
	3. Security expenses	7
		()
(40)	A multiple counting error would occur if the value of both capital goods produced and the goods residual goods produced and the goods are included using those capital goods are included.	do that
pr	oduced using those capital goods are included in national accounts. This problem can be avoided	os mar are
	1. By deducting the capital goods consumption (depreciation)	
	2. By considering only the products produced using the second	
	and a sum of the products produced using the Capital goods without taking capital and	ods value
	- John John The Capital 2000s excluding the other products	
	4. By including the depreciated value of capital goods	28.5
	5. By including only the value of intermediate goods	()
(41)		
(41)	Supply side factor that would affect the price inflation is	
	1. Increase of money supply	
	2. Increase of prices of inputs	
	3. Increase of gross domestic capital formation	
- 1	4. Increase of government purchases	
	5. Increase of net exports	
		()
(42)	Consider that the money supply is Rs.5000 billion, velocity of money circulation is 10, resolution is 10, resolution of solution of soluti	
	oduct is Rs.400 billion of a certain economy. Calculate the price level of this economy	ıl national—
14.	1. 40 2.50 3. 125 4. 400 5. 500	()

(43)	Which of the follow	wing causes the d	emand pull inflation?	
	1. Rapid increase	of mineral oil pri	ices	
	2. Gaining of hig	her wages by labo	our unions	
	3. Purchasing of	government secur	ities by the central bank in the open market	
	4. Selling of gove	ernment securities	by the central bank in the open market	
	Decreasing the	purchases of goo	ds and services by the government	()
				()
(44)	Assume that the tot	al output of a cen	tain economy increases by 2% and the stock of money	ncreaces by
	5%. If the velocity	of money circula	ation remain unchanged, what would be the increase of	Enmine In
	nominal value of to	tal output to the r	nearest value?	price level and
		carpar to the f	rodiosi varue;	
		Inorpose of D.:	1. 1. 1. 2. 2. 2. 1. 1. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2. 2.	
		increase of Price	level Increase of Nominal value of total output	
	1	2%	5%	design of the second
*	2.	3%	5%	
	3.	2%	7%	
	4.	25%	10%	
EVA!	5.	3%	7%	
				()
45)	Disinflation means			
	1. Decrease of gen	eral price levels		
	2. Negative inflation	on		
		es of necessary g		
	4. Decrease of infl	es of necessary g	oods	
X : 1	5. A method taken	ation rate		
	J. A method taken	to decrease the v	alue of a certain currency unit against another	()
		The season of the season	[Harrison F. 1984] - Harrison	
6)	Which of the follow	ing is not a comp	onent of M2b monetary aggregate?	
	L. Currency neig b	y public		
	2. Demand deposit	s of public		
	Savings and time	e deposits held by	v the public	
	4. Residents depos	its in foreign curr	ency hanking units	
	5. Personal savings	in the licentiate	chesistics discuss	
	50711.63	in the neemiate	specialized banks	()
7)	Which of the follow			
	1. Medium of exch	ng task of money	related to the speculative motive of money demand?	
	2 Steep of 1	ange	System of deferred payments	
	2. Store of value		5. Measure of value	
	3. Unit of account			()
3)	Which of the following	ng factors is not a	a determinant of high powered money?	
	1. Credit granted to	the commercial I	banks by the central bank	
4.1	2. Net credit grante	d to the governme	ent by the central bank	
	Net foreign asset	s of the central ba	ank	
-, 77.17	4. Net other assets of	of the central bank		
	5. Net credit grants	to the comme	iol houles by the control of	
	The crount grainter	a to the commerc	ial banks by the central bank	()
)	Ohtoining of I			
1.	Cotaming of loans an	io repayments are	e much easier due to the use of money. This task of m	oney is known
43				
	1. Store of value		4. Measure of value	
		payments	5 medium of exchange	
	System deferred ;		D D D D D D D D D D D D D D D D D D D	
	 System deferred ; Unit of account 	-		7
	System deferred; Unit of account			()
14:	3. Unit of account	\		()
10	 Unit of account Select the incorrect st 	atement		()
)	Select the incorrect st Money demand for	atement or speculative mo	tive is inversely related to the interest rates	()
)	Select the incorrect st Money demand for Currency held by	atement or speculative mo commercial bank	ks and central bank is not a part of money supply	(······)
)	Select the incorrect st Money demand for Currency held by Money supply of	atement or speculative mo commercial bank a banking system	ks and central bank is not a part of money supply	(·······)
)	Select the incorrect st Money demand for Currency held by Money supply of If frequent receipt	atement or speculative mo commercial bank a banking system ts of money takes	ks and central bank is not a part of money supply it is several times of base money splace, transaction motive of demand for money will	()
)	Select the incorrect st Money demand for Currency held by Money supply of If frequent receipt	atement or speculative mo commercial bank a banking system ts of money takes	ks and central bank is not a part of money supply	() decrease ()

De Mazenod College- Kandana G.C.E.(A/L) Examination 2017

Economics II

Grade 13-1st Term Evaluation 2016 November

Select two questions from part A and two questions from part B and answer tive questions altogether

PART - A

(ii) "the problem of scarcity can be eradicated by economic growth', do you agree? Explain (iii) what are the instances that the opportunity cost of economic goods as well as economic Resources become zero? (iv) what are the main tasks of an entrepreneur? (iv) (a) what are social market economies? (b) explain how a market economies? (ii) show the situation of increasing opportunity cost by a PPC diagram (4 marks) how can the following concepts be shown in PPC diagrams? a) Economic growth process b) Economic decline c) Unemployment d) The problem of resource scarcity (iv) state how the government of Sri Lanka intervenes to solve the problem of for whom to Produce? (v) explain the difference between the shifting of PPC to left and a point inside the PPC (4 marks) (iii) why does the demand curve slopes downwards and the supply-curve shifts upwards how does the demand curve slopes downwards and the supply-curve shifts upwards how does the demand curve slopes downwards and the supply-curve shifts upwards how do you identify whether a commodity which has a downward sloping demand curve is a normal good? or an inferior good? (iv) what are the special instances that demand behave against the law of demand? (3 marks) (4 marks) (v) define market disequilibrium. Explain with a suitable diagram how a market disequilibrium status come back to the equilibrium status again (5 marks) (v) derive the demand and supply equations (ii) dire the demand and supply equations (iii) dire the demand and supply equations (iii) dire the demand and supply equations (iii) find the market equilibrium price and quantity (v) assume that the government imposes a Rs.6 unit tax on this commodity. Derive the supply equation after tax (vi) find the new equilibrium quantity and price after tax (vii) what is the tax incidence on consumer and producer? (2 marks)	(01)	(i)	state the difference between economic and non economic resources	(0
(iii) what are the instances that the opportunity cost of economic goods as well as economic Resources become zero? (iv) what are the main tasks of an entrepreneur? (4 marks) (b) explain how a market economies? (5) show the situation of increasing opportunity cost by a PPC diagram (4 marks) (iii) how can the following concepts be shown in PPC diagrams? (b) economic decline (c) Unemployment (d) The problem of resource scarcity (iv) state how the government of Sri Lanka intervenes to solve the problem of for whom to Produce? (v) explain the difference between the shifting of PPC to left and a point inside the PPC (d) marks) (ii) state the factors that affect the demand curve to shift to right (iii) what are the special instances that demand behave against the law of demand curve is a normal good? or an inferior good? (iv) what are the special instances that demand behave against the law of demand? (3 marks) (v) define market disequilibrium. Explain with a suitable diagram how a market disequilibrium status come back to the equilibrium status again (5 marks) (v) the demand and supply conditions of a certain commodity are given below Price Quantity demanded Quantity supplied 30 70 10 40 60 30 (i) derive the demand and supply equations (ii) direct the demand and supply equations (iii) calculate the demand and supply elasticity at Rs.30 (4 marks) (iv) calculate the demand and supply elasticity at Rs.30 (2 marks) (iv) calculate the demand end producer surplus at the equilibrium explains with a suitable of the equilibrium status commodity. Derive the supply equation after tax (v) find the new equilibrium grantity and price after tax (vi) find the new equilibrium quantity and price after tax (vii) what is the tax incidence on convergence are accounted and supply conditions are given below that is tax incidence on convergence are accounted as the equilibrium of the marks of the supply equation after tax (viii) what is the tax incidence on convergence are accounted to the control of the producer surplus at the equilibriu		(ii)	the problem of scarcity can be eradicated by economic growth', do you agree?	(2 marks)
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(VII) What is the tax incidence on consumer and anothers.		(vi)	find the new equilibrium quantity and mine 5	(2 marks)
		(vii)	what is the tay incidence on consumer and a state tax	(2 marks)
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PART - B

(05)	(i) (ii)	(ii) state the difference between direct cost and indirect cost giving one example for each					
	(iii)	define 'normal profits'. State v Production cost of a firm?	why normal profits are in	cluded when calculating the total	(4 marks)		
	(iv)		dissimilarities between po	erfect competition and monopolis			
	(v)		fect competitive firm are	given below. (assume that the fire	(4 marks) m		
		average fixed cost	Rs.50	34			
		average variable cost units produced	Rs.70 1200				
		price of a unit	Rs.100				
		a) Calculate the economic pb) How much is the margina			(2 marks)		
		c) Should the firm continue		d close? Explain	(2 marks) (2 marks)		
(06)	(i) (ii) (iii)	what is meant by multiple cour	nting error? What are the	es and hidden economic activities ways of avoiding this error? not included in national accounts?	(4 marks)		
	(iv)	fill in the blanks					
				ational product to the factor cost			
		+					
				domestic product to the market p			
			••••••••••••••••••••••••••••••••••••••				
		d) Gross domestic product to	the market price = cons	umer goods + investment good +			
					(4 marks)		
	(v)	a certain economy achieved a l	2% increase in the gross	domestic product to the market p	rice during o		
		certain year. Does it show a 12	% economic growth in the	nat year? Give reasons for your ar	iswer (4 marks)		
(07)		the following details related to	a macro economy are pro	ovided to you			
		Private consumption Investments Transfers	C = 500+0.6Yd I = 320 Tr = 50	taxes Tx = Government consumption G = Disposale income Yd = (
	(i)	calculate the aggregate demand	and savings function		(6 marks)		
	(ii)	construct the withdrawals equa			(4 marks)		
	(iii)	calculate the equilibrium nation	nal income using aggrega	ite income –expenditure approach			
	1	and withdrawals -injections ap			(8 marks)		
	(iv)	what is meant by withdrawals a	and injections related to a	nn open economy	(2 marks)		
					in the same		

Econ

(08) (i) explain the difference between absolute price, comparative price and general price level (3 marks)

(ii) what are the facts that can be put forward to prove that the Colombo Consumer Price Index (New) is more suitable than the whole sale price Index to measure the standard of living (3 marks)

(iii) What is the effect of inflation on the following parties

a) Investors

b) Fixed income earners

c) Fixed depositorsd) Lenders of money

(4 marks)

(iv) what are the weaknesses existed in the barter economy

(2 marks)

(v) explain the limits that the current notes and coins have related to store of value

(2 marks)

(vi) what are the components related to narrow money supply, broad money supply, Consolidated broad money supply and monetary survey?

(6 marks)

