සියලු ම හිමිකම් ඇවිරිණි /முழுப் பதிப்புரிமையுடையது/All Rights Reserved]

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2025
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2025
General Certificate of Education (Adv. Level) Examination, 2025

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. The scarcity is considered the central economic problem in every society because
- (1) it leads to increase unemployment and inflation.
- (2) resources available in society to satisfy unlimited human wants are limited.
- (3) the government intervention to solve this problem is inefficient.
- (4) technology cannot enhance factor-productivity to a level that is adequate enough to satisfy unlimited human wants of the society.
- (5) all resources are homogeneous and cannot fulfill the needs of the society.

2. Which of the following statements best explains the fundamental difference between needs and wants?
- (1) Needs change over time but wants remain constant.
- (2) Needs are unlimited but wants are limited.
- (3) Needs arise from cultural influence while wants are biological.
- (4) Needs are always created by producers but wants are created by consumers.
- (5) Needs are essential for survival but wants reflect desires beyond survival.

3. Which of the following is **not** a determinant of labour productivity?
- (1) Education and training
- (2) Motivation of workers
- (3) Increase in the rate of employment
- (4) Availability of advanced technology
- (5) Extending working hours

4. An outward shift of the production possibilities curve even when the economy is still producing at the same production point, indicates
- (1) improved allocative efficiency.
- (2) improved productive efficiency.
- (3) economic growth without improvement in efficiency.
- (4) a decline in opportunity cost.
- (5) the economy is producing beyond its capacity.

5. The demand curve for a normal good slopes downward because
- (1) the income and substitution effects move the quantity demanded in the same direction.
- (2) with an increase in income, the consumer decreases the consumption of the good.
- (3) the income effect dominates the substitution effect.
- (4) the substitution effect dominates the income effect.
- (5) the income effect moves the quantity demanded in the opposite direction of the substitution effect.

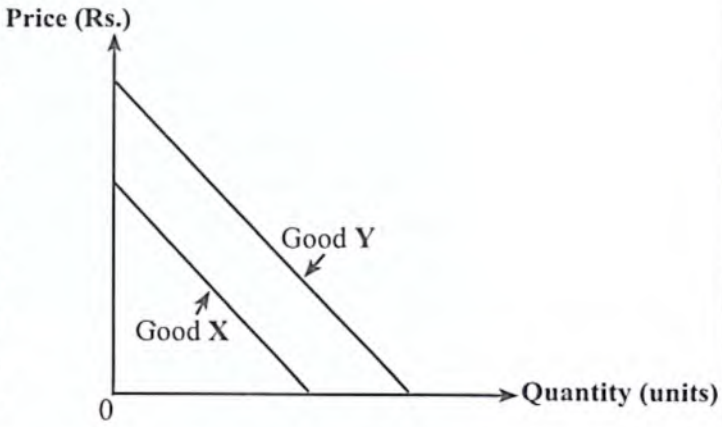
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6. When the price of good X decreases, the most likely outcome in the market for good X is that the
   (1) supply of good X will decrease.
   (2) demand for good X will increase.
   (3) demand will decrease and supply will increase.
   (4) quantity demanded of good X will increase.
   (5) quantity supplied of good X will increase.

7. The Law of Supply states that as
   (1) price rises, quantity supplied rises, *ceteris paribus*.
   (2) price falls, quantity supplied rises, *ceteris paribus*.
   (3) price rises, quantity supplied falls, *ceteris paribus*.
   (4) price rises, supply curve shifts rightward.
   (5) price falls, supply curve shifts rightward.

8. Select the most accurate statement regarding the two parallel demand curves for goods X and Y as shown in the diagram.



   (1) Both curves X and Y are unitary price elastic at every non-zero price.
   (2) Both curves X and Y have same elasticity at every non-zero price.
   (3) Curve X has a higher price elasticity than curve Y at every non-zero price.
   (4) Curve Y has a higher price elasticity than curve X at every non-zero price.
   (5) Good X is more likely to have very few substitutes than good Y.

9. Suppose the market demand function for lime is $Q_D = 150 - 2P$ and the market supply function is $Q_S = -60 + 5P$. What is the equilibrium quantity and economic surplus at market equilibrium?

	Equilibrium Quantity	Economic Surplus
(1)	30	2 835
(2)	90	2 700
(3)	30	2 025
(4)	90	945
(5)	90	2 835

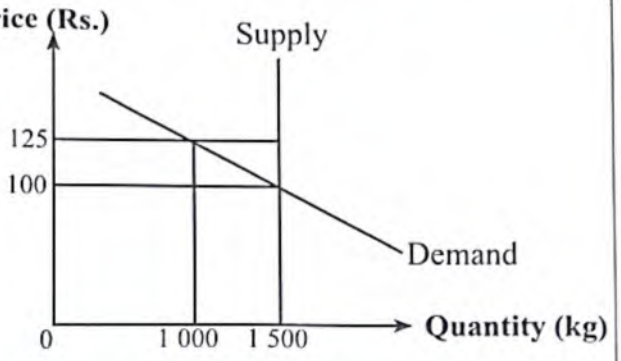
10. A firm observes that after reducing its product price, the quantity sold increases from 100 to 130 units, but total revenue falls. This implies that the price elasticity of demand under this situation is approximately
   (1) –0.8. (2) –1.0 (3) –1.3. (4) –1.5. (5) infinity.

11. Assume that the market demand function for a good is $Q_D = 230 - 4P$ and the market supply function is $Q_S = -70 + 6P$. If the market price is Rs. 50 per unit there will be a disequilibrium in the market resulting an excess
   (1) demand of 30 units.
   (2) supply of 120 units.
   (3) supply of 200 units.
   (4) demand of 230 units.
   (5) supply of 230 units.

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12. The diagram shows an initial market equilibrium for an agricultural crop with the market price of Rs. 100 per kilogram and a quantity sold of 1 500 kilograms.



How much will the government have to spend if it intends to raise the market price to Rs. 125 per kilogram?

(1) Rs. 12 500
(2) Rs. 62 500
(3) Rs. 125 000
(4) Rs. 150 000
(5) Rs. 182 500

13. Assume that the government imposed a specific tax of 10% on soft drinks. As a result, the increase in the price of soft drinks was largely borne by the consumers and not by the producers. What must be the most likely reason for this to happen?

(1) The price elasticity of demand was more than price elasticity of supply.
(2) The price elasticity of demand was less than price elasticity of supply.
(3) The price elasticity of supply was inelastic while the price elasticity of demand was elastic.
(4) The price elasticity of supply was less than one.
(5) The price elasticity of demand was unitary.

14. What will be the effect on the consumer surplus and producer surplus if the government imposed a maximum price above the free market equilibrium price?

	Consumer Surplus	Producer Surplus
(1)	Falls	Rises
(2)	Rises	Falls
(3)	Falls	Indeterminant
(4)	Rises	Unchanged
(5)	Unchanged	Unchanged

15. If the four largest firms in an industry produce 90% of the total market output, that market is

(1) a monopolistically competitive.
(2) a pure monopoly.
(3) perfectly competitive.
(4) an oligopoly.
(5) a natural monopoly.

16. The table below shows some information on different types of costs for a firm operating in the short-run.

Output (Units)	Total Variable Cost (Rs.)	Total Fixed Cost (Rs.)	Total Cost (Rs.)	Average Total Cost (Rs.)
0	0	140		
1			260	
2				170

Based on the above information, select the option which includes the average variable cost and marginal cost when the firm is producing the second unit of output.

	Average Variable Cost (Rs.)	Marginal Cost (Rs.)
(1)	80	100
(2)	100	80
(3)	100	120
(4)	120	80
(5)	130	100

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17. If all firms in a perfectly competitive industry are maximizing profit in the short-run but still incurring losses, this implies
(1) marginal cost exceeds marginal revenue.
(2) price equals marginal cost but it is above average total cost.
(3) price equals marginal cost but it is less than the average total cost.
(4) total cost equals total revenue.
(5) total variable cost is above the total revenue.

18. Out of the following factors which factor's total earnings are most likely to comprise only of transfer earning?
(1) A plot of land in Colombo City
(2) A world-class cricket player
(3) A unique mineral deposit
(4) A patented invention
(5) A general clerical worker

19. Which of the following is most likely to increase if an economy enters a region of negative output gap?
(1) Aggregate demand
(2) Rate of unemployment
(3) Business confidence
(4) Rate of economic growth
(5) Rate of inflation

20. In national income accounting, the production boundary excludes
(1) subsistence farming.
(2) imputed rent of owner-occupied housing.
(3) volunteer services for a charitable organization.
(4) illegal production of narcotics.
(5) services provided by the government free of charge.

21. In national income accounting, to which institutional sector does the Central Bank belong?
(1) Financial corporations
(2) Non-financial corporations
(3) General government
(4) Households
(5) Non-Profit institutions serving households

22. Which of the following statements best differentiates taxes on products from other taxes on production?
(1) Taxes on products are based on input costs, while other taxes on production are based on profits.
(2) Taxes on products are related to the value or quantity of goods and services, whereas other taxes on production apply to factors of production such as land and buildings.
(3) Taxes on products are linked to imports and exports only, while other taxes on production are linked to domestic production only.
(4) Taxes on products are always direct taxes, while other taxes on production are always indirect taxes.
(5) Taxes on products are collected by central government, while other taxes on production are collected by local governments.

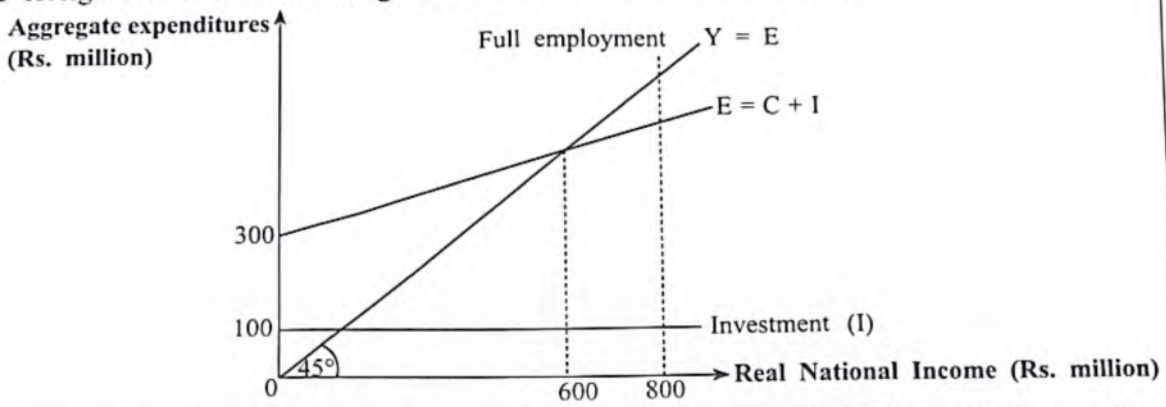
23. The slope of the aggregate expenditure function in the simple Keynesian model is determined by the
(1) marginal propensity to save.
(2) average propensity to save.
(3) average propensity to consume.
(4) marginal propensity to consume.
(5) level of autonomous consumption.

24. If transfer payments increase by Rs. 100 million and national income rises by Rs. 300 million as a result, what is the value of the Marginal Propensity to Save?
(1) 0.25 (2) 0.4 (3) 0.75 (4) 0.8 (5) 0.85

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25. The diagram shows an economy's aggregate expenditures and real national income assuming there is no foreign sector in it and the government spending are initially zero.



The minimum increase in government spending necessary to reach the full employment national income of Rs. 800 million is

(1) Rs. 100 million. (2) Rs. 160 million. (3) Rs. 200 million.
(4) Rs. 500 million. (5) Rs. 800 million.

26. The core inflation is best described as

(1) inflation measured by the GDP deflater.
(2) inflation including all consumer price components.
(3) inflation excluding volatile items like food and energy.
(4) inflation adjusted for exchange rate changes.
(5) inflation measured by producer prices of essential food items.

27. Open market purchases by the Central Bank usually,

(1) reduce the base money in the economy.
(2) force commercial banks to increase their lending rates.
(3) reduce inflation by contracting deposits.
(4) decrease liquidity in the money market.
(5) increase reserves of commercial banks and money creation capacity.

28. The transactions demand for money in an economy is most likely to increase by

(1) a rise in the market rate of interest.
(2) greater use of digital payment systems in daily transactions.
(3) a fall in bond prices due to higher interest rates.
(4) an increase in nominal national income.
(5) higher uncertainty and volatility in stock markets.

29. The interbank call money rate represents

(1) the long-term interest rate charged on loans between commercial bank.
(2) the short-term interest rate charged for overnight funds borrowed between commercial banks without collateral.
(3) the interest rate paid by the government on short-term treasury bills issued in the money market.
(4) the rate of interest commercial banks offer to depositors on their savings and fixed deposits.
(5) the average policy interest rate reflected through the Central Bank's standing lending and standing deposit facilities.

30. Suppose a commercial bank has Rs. 10 000 in excess reserves and reserve requirement is 10%. What is the total potential deposit expansion the commercial banking system can achieve in this situation?

(1) Rs. 9 000 (2) Rs. 10 000 (3) Rs. 90 000
(4) Rs. 100 000 (5) Rs. 120 000

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31. Select the statement that best distinguishes a public good from a merit good.

(1) Public goods can exclude non-payers, whereas merit goods cannot.

(2) Merit goods are provided only by the private sector, whereas public goods are provided by both private and public sectors.

(3) Merit goods generate negative externalities, whereas public goods generate positive externalities.

(4) Public goods are non-rival and non-excludable in consumption, whereas merit goods may be rival and excludable in consumption.

(5) Merit goods generate positive externalities, whereas public goods generate negative externalities.

32. Which scenario is an example of government failure?

(1) A subsidy on renewable energy reduces carbon emissions and improves welfare.

(2) Price controls on essential goods create shortages and black markets.

(3) Progressive taxation reduces income inequality.

(4) Provision of education by public sector leads to higher literacy rates.

(5) Monetary policy stabilizes inflation at a target level.

33. Which of the following is **not** a component of government primary expenditure?

(1) Salaries of public sector employees

(2) Interest payments on public debt

(3) Government spending on education

(4) Current transfer and subsidies to households

(5) Capital expenditure on infrastructure development

34. The crowding-out effect of deficit financing is described as

(1) government spending leads to higher private consumption.

(2) tax cuts lead to increased private sector borrowing.

(3) decline in private investment due to excessive government borrowing.

(4) financing government spending through bond sales to the private sector.

(5) rising interest rates caused by government borrowing lead to accelerate inflation.

35. The largest category of external creditors of Sri Lanka is the

(1) International Monetary Fund (IMF). (2) International sovereign bondholders.

(3) Member countries of Paris Club. (4) World Bank.

(5) Bilateral creditors.

36. Country A can produce both rice and cloth more efficiently than country B, but country B has a lower opportunity cost in producing cloth than country A, then

(1) county A has both absolute advantage and comparative advantage in rice production.

(2) country B has both absolute advantage and comparative advantage in cloth production.

(3) country A should specialize in cloth production.

(4) country B cannot gain from trade.

(5) no basis exists for trade.

37. For a certain country at a given year, the export price index was 120, the import index was 150, and the export volume index was 110. The Income Terms of Trade in this country was

(1) 80.0. (2) 88.0. (3) 132.5. (4) 137.5. (5) 165.0.

38. Which of the following countries is **not** a member of Regional Comprehensive Economic Partnership (RCEP)?

(1) China (2) South Korea (3) Australia (4) Indonesia (5) India

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39. Which of the following is **not** included in the primary income account of Sri Lanka's balance of payments?

(1) Interest payments on government securities held by foreigners
(2) Profit repatriated by foreign direct investors
(3) Dividends received from Sri Lankan investment abroad
(4) Wages received by Sri Lankans working abroad for less than one year
(5) Long-term concessional loans received from bilateral partners

40. Sri Lanka's official foreign reserves mainly consists of

(1) foreign direct investments, special drawing rights and foreign currency deposits.
(2) gold, foreign currency assets and special drawing rights.
(3) sovereign bonds, special drawing rights and remittances.
(4) domestic bank deposits, special drawing rights and gold reserves.
(5) export earnings, gold and government securities.

41. When a country experiences higher inflation than its trading partners, the most likely outcome is

(1) an appreciation of the domestic currency.
(2) no significant change in the exchange rate.
(3) a long-run strengthening of the domestic currency.
(4) a depreciation of the domestic currency.
(5) an increase in foreign investment.

42. When foreign investors withdraw their portfolio investment from Sri Lanka, it results in

(1) a reduction in capital transfers recorded in the capital account.
(2) an increase in net exports recorded in the current account.
(3) an outflow of funds recorded in the financial account.
(4) an improvement in the overall balance of payments position.
(5) a reduction in reinvested earnings recorded in the primary income account.

43. Sustainable development is best described as a long term increase in

(1) economic growth at all costs.
(2) the living standard of every member of society.
(3) the productive potential of an economy.
(4) the living standard without damage to the environment.
(5) the actual output of an economy.

44. Which of the following statements best explains the difference between economic growth and economic development?

(1) Economic growth refers only to rising per capita income, while development also includes non-income aspects.
(2) Economic development is measured by GDP growth, whereas economic growth is measured by the improvements in social indicators.
(3) Economic development is a multidimensional process, while economic growth is a narrow measure of output.
(4) Economic growth is qualitative in nature, while economic development is quantitative.
(5) Economic development focuses on short-term increase in production, while economic growth emphasizes long-term structural changes.

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45. What measure is used to represent the standard of living in the Human Development Index?

(1) Purchasing power parity adjusted Gross Domestic Product per capita
(2) Gross Domestic Product per capita
(3) Gross National Income per capita
(4) Purchasing power parity adjusted Gross National Income per capita
(5) Gross Domestic Product per capita at constant prices

46. Sri Lanka's Gross Domestic Product and Per Capita Gross National Income at current market price in the year 2023 were

	GDP (Billion US Dollars)	Per Capita GNI (US Dollars)
(1)	96.5	4 516
(2)	96.5	3 685
(3)	83.8	3 801
(4)	83.8	3 685
(5)	76.8	3 379

47. The main framework used in identifying Aswesuma beneficiaries is

(1) household income threshold only.
(2) Multidimensional Poverty Index (MPI) approach.
(3) household's monthly electricity bill.
(4) geographic targeting by district.
(5) random sampling based on households.

48. If the Lorenz curve of country A lies entirely below that of country B, it implies

(1) country A has greater income inequality than country B.
(2) country B has greater income inequality than country A.
(3) both countries have identical income distribution.
(4) country A has a higher GDP per capita than country B.
(5) country B has more absolute poverty than country A.

49. A major current trend within BRICS is its attempt to

(1) operate as a military alliance.
(2) establish alternatives to Western-dominated financial systems.
(3) pegging all BRICS currencies to the Chinese Yuan.
(4) eliminate the usage of fossil fuels globally.
(5) limit trade to BRICS member countries only.

50. The major economic reform introduced in Sri Lanka in 1977 marked a transition from

(1) import substitution strategy to export-oriented growth strategy.
(2) market liberalism to trade protectionism.
(3) export-led growth to import substitution.
(4) manufacturing economy to service oriented economy.
(5) open market economy to closed socialist economy.

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இலங்கைப் பரீட்சைத் திணைக்களம்
Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2025
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2025
General Certificate of Education (Adv. Level) Examination, 2025

ආර්ථික විද්‍යාව II
பொருளியல் II
Economics II

21 E II

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

අමතර කියවීම් කාලය - මිනිත්තු 10 යි
மேலதிக வாசிப்பு நேரம் - 10 நிமிடங்கள்
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) Define property resources and human resources, and give **one** example for each. (04 marks)

   (ii) How does the opportunity cost arise due to scarcity? Provide examples for opportunity cost faced by individuals and governments. (04 marks)

   (iii) Briefly describe how does division of labour contribute to enhance productivity in modern production systems. (03 marks)

   (iv) Explain in what ways do economic freedom and consumer sovereignty differ between market economic system and command economic system. (04 marks)

   (v) Evaluate the effectiveness of price mechanism in solving the fundamental economic problems in a market economic system. (05 marks)

2. (i) List **three** factors that can cause a shift in the supply curve. (03 marks)

   (ii) What is meant by price elasticity of demand? Explain how does it affect total revenue. (04 marks)

   (iii) Using appropriate diagrams, explain how a change in income affects the demand for normal and inferior goods. (04 marks)

   (iv) Define producer surplus and illustrate how it is represented on a supply and demand diagram. (04 marks)

   (v) How can an improvement in production technology leads to changes in market equilibrium? Use diagrams to support your answer. (05 marks)

3. (i) What is a price floor? Illustrate with a diagram the implications of imposing a minimum wage above the equilibrium wage in a competitive labour market. (04 marks)

   (ii) Assess the effectiveness of maintaining government buffer stocks in stabilizing agricultural commodity prices. What factors could cause the failure of such schemes? (04 marks)

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(iii) Market demand (Q_D) and supply (Q_S) functions of an agricultural commodity are given by the equations below. In these equations P is the price per kilogram in Rupees and Q is the quantity in metric tons.

$Q_D = 720 - 4P$ $Q_S = -180 + 6P$

(a) Calculate the market equilibrium price and equilibrium quantity. (02 marks)

(b) Suppose the government now introduces a deficiency payment scheme with a guarantee that farmers will receive Rs. 100 per kilogram. Calculate the price at which this commodity is traded in the market after the price support programme. (03 marks)

(c) Estimate the cost of the price support programme to the government. (03 marks)

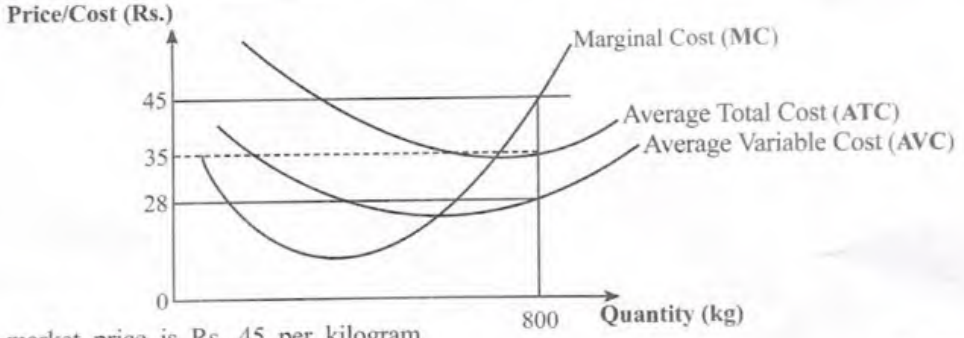
(d) Compare the producer surplus before and after the price support programme. (04 marks)

4. (i) Define the short-run production function and explain how it differs from the long-run production function. (03 marks)

(ii) How does the short-run production function explain the shape and behaviour of a firm's average variable cost (AVC) and marginal cost (MC) curves? (04 marks)

(iii) How do you justify the inclusion of normal profit as a part of the firm's cost structure. (04 marks)

(iv) The diagram below shows the short-run cost structure of a perfectly competitive firm and the possible market prices.



If the market price is Rs. 45 per kilogram,

(a) calculate the economic profit or loss. (02 marks)

(b) calculate the total fixed cost of the firm. (02 marks)

(v) Define monopolistic competition and explain how it differs from perfect competition and monopoly. (05 marks)

5. (i) Using the value-added method, describe how national accounts estimate the value of output of government services. (04 marks)

(ii) The table below presents some data pertaining to national accounts of a hypothetical economy.

Item	Value (Rs. million)
Gross value added by agriculture, forestry and fishing	1 500
Gross value added by industry	4 500
Gross value added by services	9 500
Private consumption expenditure	12 000
Government consumption expenditure	1 500
Gross domestic capital formation	4 500
Goods and services exports	2 000
Goods and services imports	3 000
Taxes less subsidies on products	1 500

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[See page three

Using the data given in the table, calculate the following.

(a) Gross Value of Output at basic prices (02 marks)

(b) Gross Domestic Product (02 marks)

(c) Gross Domestic Savings (02 marks)

(iii) Suppose in a hypothetical economy, the Marginal Propensity to Save (MPS) is 0.2. Calculate the value of the transfer multiplier and determine the total increase in national income, resulting from a Rs. 100 million increase in government transfers in this economy. (04 marks)

(iv) Suppose in a closed economy with no government, the aggregate consumption function is given by $C = 200 + 0.8Y$ and investment is given by $I = 80$. (Values are in billion Rupees.)

(a) Calculate the equilibrium level of national income in this economy. (02 marks)

(b) Draw a diagram to show the determination of the equilibrium level of national income. (04 marks)

Sub section 'B'

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

6. (i) Define the internal value of money and state how it is related to the general price level of an economy. (03 marks)

(ii) State the assumptions underlying the equation of exchange when it is used to derive the Quantity Theory of Money. Examine how realistic are these assumptions in modern economies. (04 marks)

(iii) A simplified Balance Sheet of a hypothetical commercial bank is given below.

Liabilities (Rs.)		Assets (Rs.)	
Demand deposits	200 000	Required reserves	10 000
Capital	120 000	Excess reserves	4 000
		Loans	180 000
		Securities	50 000
		Buildings	76 000
Total	320 000	Total	320 000

(a) Calculate the required reserve ratio. (02 marks)

(b) Assume that a customer withdraws Rs. 20 000 in cash from his current account at the bank. By how much will bank's required reserves change due to this cash withdrawal? (02 marks)

(c) When the above withdrawal of cash is taken place, what are the alternative actions the bank can take in order to maintain its required reserve ratio assuming that no loans are called in? (02 marks)

(iv) State the main objective of the Central Bank of Sri Lanka as stated in the New Central Bank Act of 2023. (02 marks)

(v) Describe the new monetary policy framework introduced in the Central Bank Act. Explain how does it differ from the previous policy framework. (05 marks)

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7. (i) Define a negative production externality and explain with a diagram how it leads to a market failure. (04 marks)
   (ii) What is meant by government recurrent expenditure? State the **three** major components of recurrent expenditure in Sri Lanka's government budget. (04 marks)
   (iii) Name **three** key profit making State-Owned Enterprises in Sri Lanka. (03 marks)
   (iv) Outline the major tax reforms introduced in Sri Lanka after the 2022 economic crisis. (04 marks)
   (v) Define Public-Private Partnerships (PPPs) and explain how PPPs can contribute to reducing the government budget deficit and achieving fiscal consolidation in Sri Lanka. (05 marks)

8. (i) Explain the fundamental difference between comparative advantage and competitive advantage with examples. (04 marks)
   (ii) How are the credit and debit entries of the following international transactions recorded in Sri Lanka's Balance of Payments Account according to the double-entry principle?
      (a) A Sri Lanka's resident receives a remittance of dollar 500 from abroad.
      (b) A Sri Lanka's agro-chemical firm has purchased a patent worth of 50 million dollars from abroad to produce a specific agro-chemical domestically.
      (c) The government of Sri Lanka borrows 200 million dollars by selling Development Bonds in the New York financial market. (03 marks)
   (iii) What are the key demand and supply factors determining the foreign exchange rate of Sri Lanka? (04 marks)
   (iv) What is meant by Foreign Direct Investment (FDI)? State **three** strategies Sri Lanka could adopt to attract FDI flows to the country. (04 marks)
   (v) Examine how changes in US tariffs on Sri Lankan export could affect Sri Lanka's balance of payments and foreign exchange earnings. (05 marks)

9. (i) Name **three** main pillars of sustainable development and explain how they interact with one another. (04 marks)
   (ii) Explain how the Human Development Index (HDI) captures different dimensions of development that GDP growth alone cannot reflect. (05 marks)
   (iii) (a) Define labour force participation rate. (02 marks)
      (b) Outline **three** main factors contributing to the low female labour force participation rate in Sri Lanka. (03 marks)
   (iv) (a) Define absolute poverty. (02 marks)
      (b) Explain how the absolute poverty is measured in the context of Sri Lanka's national and international standards. (04 marks)

10. (i) Explain the major policy failures that contributed to Sri Lanka's economic crisis in 2022. (05 marks)
   (ii) State **five** main sectors in Sri Lanka's economy that require urgent structural reforms to enhance sustained economic growth. (05 marks)
   (iii) What are the important industrial policy measures Sri Lanka should adopt to support higher value-added manufacturing and service sector development? (05 marks)
   (iv) How has Sri Lanka's macro-economic performance improved under the IMF-EFF programme? Explain the major challenges continue to persist. (05 marks)

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