



Department of Education, Sabaragamuwa/weekly school

week- June 4

Subject-Economics

Grade-12

Prepared by -  
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1. Explain the law of supply and mention why the supply curve slopes upwards.
2. The details of market demand and supply regarding a certain good have been stated below.

Price of a unit	Quantity demanded	Amount of excess supply
10	1000	-1000
40	400	200

- (a) What is the market equilibrium price and the equilibrium quantity of the above good?
  - (b) If a specific subsidy of Rs.10 is provided for a unit of that good by the government, mention the followings.
    - (i) New equilibrium price and the equilibrium quantity
    - (ii) Consumer's surplus before and after the subsidy
    - (iii) Producer's surplus before and after the subsidy
    - (iv) The government expenditure on the subsidy
    - (v) Dead weight loss due to the subsidy
3. Mention the determinants of price elasticity of demand.
  4. "The amount of economic rent included in the factor earnings determines on the elasticity of supplying factors". Analyze this statement.

2. (i) Explain the law of supply and mention why the supply curve slopes upwards. (04 marks)  
(ii) The details of market demand and supply regarding a certain good have been stated below.

Price of a unit	Quantity demanded	Amount of excess supply
10	1000	-1000
40	400	200

- (a) What is the market equilibrium price and the equilibrium quantity of the above good? (02 marks)
- (b) If a specific subsidy of Rs.10/= is provided for a unit of that good by the government mention the followings.
- (i) New equilibrium price and the equilibrium quantity (02 marks)
  - (ii) Consumer's surplus before and after the subsidy (02 marks)
  - (iii) producer's surplus before and after the subsidy (02 marks)
  - (iv) The government expenditure on the subsidy (01 marks)
  - (v) Dead weight loss due to the subsidy (01 marks)
- (iii) Mention the determinants of price elasticity of demand. (03 marks)
- (iv) "The amount of economic rent included in the factor earnings determines on the elasticity of supplying factors". Analyze this statement. (03 marks)