G.C.E. Advanced Level
Grades 12 and 13

Economics
Revised Syllabus will be implemented from 2012
(The examination will be held for the first time in year 2012)

Department of Business Studies
Faculty of Science and Technology
National Institute of Education.
## Contents

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</table>
1.0 Introduction

A competency based curriculum has been introduced to the schools system from 2009 onwards for the GCE (A/L) subject streams under the first curriculum reforms of 2009 in the new millennium. A competency based curriculum has been introduced to the Economics syllabus, taking into consideration global trends and contemporary changes in Economics, one of the most popular subjects in the Arts and Commerce streams at Advanced Level.

This curriculum has been implemented in the schools for three (03) years now. The new Economics Syllabus was edited in terms of the outcomes of research implemented jointly at National Level, by the Ministry of Education and the National Institute of Education. The syllabus has been prepared, taking into consideration the subject content considered essential for students at GCE (A/L) level and the amount of time the teacher actually spends in the class.

Economics is a social science which is very close to day to day human life. Various social sciences study, from various angles, how people behave in society and the discipline of Economics studies how people behave in society from an economic perspective. It is obvious that Economics is the basis of numerous subjects and disciplines under Management and Commerce. As such, many educational career opportunities are available to students who pursue Economics as a subject. An opportunity is provided to the students to follow Economics as a subject under various professional courses related to Commerce, Management and Accounting. As such, it provides a sound basis for an effective life to the students who learn Economics as a subject. It is expected that those who study this subject effectively can be competent citizens capable of contributing efficiently and effectively to the sustainable development of Sri Lanka.
2.0 Aims of the Syllabus

- Provide critical understanding of and scientifically analyze the basic economic problems in a society and alternative methods of solving these basic economic problems.
- Provide skills necessary to analyze practical economic problems and trends using economic concepts and theories.
- Provide an opportunity for student to understand the behaviour of macro economic variables and their interrelationship
- Motivate one to investigate the rational behaviour of people and firms in a market.
- Provide opportunities to study accepted definitions of various economic concepts
- Provide guidance for the investigation of the government and involve itself in achieving macro economic objectives in a market economy.
- Provide skills to critically analyze the current economic policies.
- Provide skills necessary to investigate comparatively, the multiplicity of the economic development.
- Provide necessary basic competencies to analytically explain the subject Economics.
- Show the importance of the relationship of International Trade & Finance viz a viz globalization.
- Develop necessary skills to critically examine the performance of the Sri Lankan economy.
- Provide the foundation necessary to work towards the social wellbeing of society.
- Provide the foundation appropriate to access higher education.
3.0 Revised subject content of Competency and Competency Levels

<table>
<thead>
<tr>
<th>Competency and Competency Levels</th>
<th>Removals &amp; Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3 Uses graphs and equations for economic analysis.</td>
<td>• The above competency level has been changed to “Uses graphs and equations for market analysis” and is given under competency level 2.2.</td>
</tr>
<tr>
<td>1.7 Presents different opportunity cost scenarios using the production possibility frontier.</td>
<td>• Uses graphs and equations with the help of X and Y variables excepting economic variables.</td>
</tr>
<tr>
<td>1.8 Uses Production Possibility Curve to present usage of resources in an economy.</td>
<td>• Decreasing opportunity cost: removed.</td>
</tr>
<tr>
<td>1.9 Logically expresses ways of enhancing factor productivity</td>
<td>• Definition and measurement of productivity has been transferred from 1.9 as content of competency level 1.8.</td>
</tr>
<tr>
<td>1.12 Classifies economic systems using different criteria.</td>
<td>• This competency level has been removed. Definition and measurement of productivity has been replaced under competency level 1.8.</td>
</tr>
<tr>
<td></td>
<td>• Transitional economies: limited only for purposes of providing definitions and examples.</td>
</tr>
<tr>
<td>Competency and Competency Levels</td>
<td>Removals &amp; Limitations</td>
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</tbody>
</table>
| 2.1 Classifies markets in terms of economic analysis. | • The following areas included in competency four have been included under factor market.  
  • Demand for factor market (Derived demand).  
  • Payment for factors of production.  
    (Rent, economic rent, wages, interest rate, economic profit). |
| 2.3 Analyses relationship between price and quantity demanded. | • “Diminishing marginal utility” under reason for the law of demand: removed.  
  • “Speculation goods” under exceptions to the law of demand: removed. |
| 2.5 Calculates elasticity to identify types of price elasticity of demand. | • Arc elasticity of demand  
  • Equation and the calculation: removed.  
  • “Ad valorem tax”: limited only to definitions.  
  • Calculation and presenting impact of taxes: limited only to unit tax. |
| 2.15 Investigates impacts of producer taxes on market operations. | • Tax incidence of taxation explained only according to unit tax.  
  • Tax incidence according to demand and supply elasticities explained by using unit tax only. |
<p>| 2.16 Investigates distribution tax incidence according to demand and supply elasticities. | |</p>
<table>
<thead>
<tr>
<th>Competency and Competency Levels</th>
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</thead>
</table>
| 2.17 Investigates the effects of subsidies on market operations. | • Ad valorem subsidy to producer: limited to brief explanation.  
• Presentation of impact of subsidies: limited to unit subsidy.  
• Explanation of tax incidence according to elasticity of demand & supply using only unit subsidy. |
| 3.1 Analyses nature of production process. | • The following areas: removed  
• Production organization.  
• Firms  
• Firms of business organizations  
• The title of “(By table)” under law of return to scale: removed. |
<p>| 4.0 Analyses behaviour of factor markets. | • This competency: completely removed |</p>
<table>
<thead>
<tr>
<th>Competency and Competency Levels</th>
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</tr>
</thead>
</table>
| 5.1 Examines applications of economic policies for macroeconomic management. | • Name of competency levels changed to “Investigates macroeconomic objectives”.  
• Since these areas are discussed under other competencies the following areas have been removed.  
  • Macroeconomic Policies  
  • Monetary policy  
  • Fiscal policy  
  • Income policy  
  • Policies to promote aggregate supply  
  • Direct control  
  • Foreign trade policies |
| 5.6 Demonstrates preparedness to compile National Accounts using expenditure approach. | • Explains resources and their utilization by using related data in Sri Lanka. |
| 5.7 Demonstrates preparedness to compile National Accounts using income approach. | • The relationship between balance of payment and national accounts: limited to a brief explanation.  
• Explains gross domestic savings and national savings by using related data in Sri Lanka. |
Since these areas are discussed under other competencies the following areas have been removed.
- National accounts in Sri Lanka
- Composition and recent trends of national output.
- Sectorial contribution of agriculture, industrial and service sectors.
- Recent trends of agriculture, industrial and service sectors.
- Distribution of national output.
- Person per capita/Income

Following areas have been included.
- Measuring economic growth
- Person per capita income
- Sectorial contribution
- Content of competency level 5.9: included here

<table>
<thead>
<tr>
<th>Competency and Competency Levels</th>
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</tr>
</thead>
<tbody>
<tr>
<td>5.8 Investigates the applications of national accounts</td>
<td>- Since these areas are discussed under other competencies the following areas have been removed.</td>
</tr>
<tr>
<td>5.9 Highlights limitations of national accounts</td>
<td>- This competency level transferred to competency level 5.8</td>
</tr>
<tr>
<td></td>
<td>- National accounts in Sri Lanka</td>
</tr>
<tr>
<td></td>
<td>- Composition and recent trends of national output.</td>
</tr>
<tr>
<td></td>
<td>- Sectorial contribution of agriculture, industrial and service sectors.</td>
</tr>
<tr>
<td></td>
<td>- Recent trends of agriculture, Industrial and service sectors.</td>
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<td>- Distribution of national output.</td>
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<td></td>
<td>- Person per capita/Income</td>
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<tr>
<td></td>
<td>- Following areas have been included.</td>
</tr>
<tr>
<td></td>
<td>- Measuring economic growth</td>
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<td></td>
<td>- Person per capita income</td>
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<tr>
<td></td>
<td>- Sectorial contribution</td>
</tr>
<tr>
<td></td>
<td>- Content of competency level 5.9: included here</td>
</tr>
<tr>
<td>Competency and Competency Levels</td>
<td>Removals &amp; Limitations</td>
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<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
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</tbody>
</table>
| 6.5 Investigates determination of equilibrium in an open economy.                              | • Since these areas are discussed under competency level 6.4, the following areas have been removed from competency level 6.5  
| 7.1 Analyses measures of general price level                                                    | • Consumption function (C)                                                            |
| 7.2 Investigates price indices that measure change of general price level in Sri Lanka.        | • Savings function (S)                                                                |
| 7.4 Analyses causes and effects of inflation using different approaches to inflation.           | • Investment (I)                                                                      |
| 8.3 Analytically examines the supply of money in Sri Lanka.                                    | • Government expenditure                                                              |
|                                                                                                 | • Government purchase (G)                                                             |
|                                                                                                 | • Transfer (TR)                                                                       |
|                                                                                                 | • Autonomous Taxes (T)                                                                |
|                                                                                                 | • Price indices: limited to a brief explanation.                                      |
|                                                                                                 | • Sri Lanka Consumers Price Index : removed.                                          |
|                                                                                                 | • Structural inflation : removed.                                                     |
|                                                                                                 | • \( M_0 \) : removed.                                                                |
|                                                                                                 | • Central bank liabilities and assets replaced with the following areas               |
|                                                                                                 | • Central bank liabilities                                                             |
|                                                                                                 | • Central bank assets                                                                 |

• M" removed.
<table>
<thead>
<tr>
<th>Competency and Competency Levels</th>
<th>Removals &amp; Limitations</th>
</tr>
</thead>
</table>
| 8.4 Classifies the financial system in Sri Lanka | • Following areas have been removed.  
• Central Bank of Sri Lanka.  
• Licensed Commercial Banks.  
• Licensed Specialized Banks.  
• Registered Finance Companies  
• Co-operative Rural Banks  
• Thrift and credit co-op. Societies  
• Special leasing companies  
• Primary dealers  
• Merchant Bank  
• Financial brokers  
• Unit trust  
• Venture capital investigations  
• Credit rating institutions  
• Insurance companies  
• Employee provident fund  
• Employee trust fund  
• Other provident funds  
• Government services provident funds |
<table>
<thead>
<tr>
<th>Competency and Competency Levels</th>
<th>Removals &amp; Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.7 Investigates the use of monetary policy instruments in Sri Lanka.</td>
<td>• Monetary policy transmission mechanism: removed.</td>
</tr>
<tr>
<td>8.8 Analyses the financial market in Sri Lanka.</td>
<td>• The following areas have been removed (GSP+)&lt;br&gt;• Capital market&lt;br&gt;• Definition&lt;br&gt;• Institutions in the capital market</td>
</tr>
<tr>
<td>10.1 Investigates the basis of international trade.</td>
<td>• Following areas have been removed&lt;br&gt;• Static gains&lt;br&gt;• Dynamic gains&lt;br&gt;• Exchange of technical knowledge&lt;br&gt;• Exchange of Management skills</td>
</tr>
<tr>
<td>10.2 Analyses the impact of protectionist policies in international trade</td>
<td>• (GSP+) Generalized system of preferences: removed.</td>
</tr>
<tr>
<td>Competency and Competency Levels</td>
<td>Removals &amp; Limitations</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>10.9 Investigates importance of economic organization for economic co-operation.</td>
<td>• Economic integration: limited only to definition.</td>
</tr>
<tr>
<td></td>
<td>• The following areas have been removed.</td>
</tr>
<tr>
<td></td>
<td>• Preferential trade arrangements (GSP+)</td>
</tr>
<tr>
<td></td>
<td>• Free trade areas</td>
</tr>
<tr>
<td>10.10 Investigate role of International Financial institutions</td>
<td>• Customs unions</td>
</tr>
<tr>
<td></td>
<td>• Common markets</td>
</tr>
<tr>
<td>10.11 Investigates impact of globalization on developing countries.</td>
<td>• Economic unions</td>
</tr>
<tr>
<td></td>
<td>• Comprehensive Economic partnership agreement (CEPA)</td>
</tr>
<tr>
<td></td>
<td>• Extra knowledge of related changes in bilateral and multilateral trade agreements is important.</td>
</tr>
<tr>
<td></td>
<td>• Asian Development Bank: removed.</td>
</tr>
<tr>
<td></td>
<td>• Only explanation of the objectives and roles of the following institution.</td>
</tr>
<tr>
<td></td>
<td>• International monetary fund (IMF)</td>
</tr>
<tr>
<td></td>
<td>• The world bank group (WBG)</td>
</tr>
<tr>
<td></td>
<td>• Globalization as a historical process: removed.</td>
</tr>
<tr>
<td>Competency and Competency Levels</td>
<td>Removals &amp; Limitations</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>11.3 Evaluates sustainable development through comparative analysis of the multiplicity of economic development.</td>
<td>• This competency level has been changed to “Evaluates sustainable development through comparative analysis of the world bank classification of economies.” • “International classifications of economics” has been changed as “World Bank classification of economics”. • The following areas have been removed • World Bank classification • Other classification • International varieties of economic development</td>
</tr>
<tr>
<td>11.5 Investigates the concept of poverty and how it is measured</td>
<td>• The following areas have been included • Economic growth and poverty • Pro-poor economic growth policies • “Multi Dimensional Poverty Line” has been replaced by “Human Development Poverty.”</td>
</tr>
<tr>
<td>Competency and Competency Levels</td>
<td>Removals &amp; Limitations</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>11.7 Investigates the relationship between economic growth and poverty</td>
<td>• Competency level has been completely removed. Since it is discussed in competency level 11.5</td>
</tr>
<tr>
<td>11.10 Explores quantitative and structural characteristics of employment and unemployment in Sri Lanka</td>
<td>• Effects of unemployment: removed.</td>
</tr>
<tr>
<td>11.11 Investigates issues of the labour market in Sri Lanka.</td>
<td>• Competency level: completely removed.</td>
</tr>
<tr>
<td>12.12 Analyses the pattern of economic growth since independence investigating full employment and utilization of resources in Sri Lanka.</td>
<td>• The above competency level has been changed to “Analyses the pattern of economic growth since independence.”</td>
</tr>
<tr>
<td></td>
<td>• Since these areas are discussed under other competencies the following areas have been removed.</td>
</tr>
<tr>
<td></td>
<td>• Total resources</td>
</tr>
<tr>
<td></td>
<td>• Gross domestic product</td>
</tr>
<tr>
<td></td>
<td>• Import</td>
</tr>
<tr>
<td></td>
<td>• Utilization of resources</td>
</tr>
<tr>
<td></td>
<td>• Consumption</td>
</tr>
<tr>
<td></td>
<td>• Investments</td>
</tr>
<tr>
<td></td>
<td>• Exports</td>
</tr>
<tr>
<td></td>
<td>• Savings</td>
</tr>
<tr>
<td></td>
<td>• Domestic savings</td>
</tr>
<tr>
<td></td>
<td>• National savings</td>
</tr>
</tbody>
</table>
## 3.0 Allocated Time Periods

<table>
<thead>
<tr>
<th>No.</th>
<th>Competency</th>
<th>Allocated Periods</th>
<th>Periods for contents</th>
<th>Periods for Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Analyses ways of solving the key economic problem in an economic system.</td>
<td>70</td>
<td>58</td>
<td>12</td>
</tr>
<tr>
<td>(2)</td>
<td>Analyses the rational behavior of households and firms in the market.</td>
<td>110</td>
<td>95</td>
<td>15</td>
</tr>
<tr>
<td>(3)</td>
<td>Explores the rational behaviour of production units in the market</td>
<td>35</td>
<td>30</td>
<td>05</td>
</tr>
<tr>
<td>(4)</td>
<td>Demonstrates preparedness to compile National Accounts within macroeconomic framework</td>
<td>50</td>
<td>42</td>
<td>08</td>
</tr>
<tr>
<td>(5)</td>
<td>Investigates determination of macroeconomic equilibrium.</td>
<td>35</td>
<td>30</td>
<td>05</td>
</tr>
<tr>
<td>(6)</td>
<td>Analyses the change of price levels that affects macroeconomic process.</td>
<td>25</td>
<td>19</td>
<td>06</td>
</tr>
<tr>
<td>(7)</td>
<td>Analyses the contribution of monetary and banking system to the economic process.</td>
<td>48</td>
<td>39</td>
<td>09</td>
</tr>
<tr>
<td>(8)</td>
<td>Investigates the type of intervention of the government to achieve macroeconomic objectives.</td>
<td>65</td>
<td>55</td>
<td>10</td>
</tr>
<tr>
<td>(9)</td>
<td>Analyses the effects of International Trade and Finance on an economy.</td>
<td>65</td>
<td>55</td>
<td>10</td>
</tr>
<tr>
<td>(10)</td>
<td>Displays the interest on contribution sustainable development through comparative analyses of the multiplicity of the economic development.</td>
<td>57</td>
<td>47</td>
<td>10</td>
</tr>
<tr>
<td>(11)</td>
<td>Evaluates performance of Sri Lanka economy since independent.</td>
<td>40</td>
<td>30</td>
<td>10</td>
</tr>
</tbody>
</table>

|   |   |   | 600 | 500 | 100 |
### Competency

**1. Analyses ways of solving the key economic problem in an economic system.**

<table>
<thead>
<tr>
<th>Competency Levels</th>
<th>Content</th>
<th>Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Confirms that Economics is a Social Science.</td>
<td>70</td>
</tr>
<tr>
<td>1.2</td>
<td>Uses the theories and applications of Economics for decision making.</td>
<td></td>
</tr>
</tbody>
</table>

- Definition of Economics
- Scientific thinking of Economics
- Economics as a Social Science
- Importance of learning Economics
- Positive and Normative Economics
- Microeconomics and Macroeconomics
- Methodology of Economics
  - Models
  - Assumptions
  - Theories
<table>
<thead>
<tr>
<th>COMPETENCY</th>
<th>COMPETENCY LEVELS</th>
<th>CONTENT</th>
<th>PERIODS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3</td>
<td>Demonstrates human needs and wants are satisfied by consumption of goods and services.</td>
<td>• Human needs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Human wants</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Difference between needs and wants</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Goods and services</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Economic goods</td>
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<tr>
<td></td>
<td></td>
<td>• Non-economic goods(Free goods)</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Classifies resources used for producing goods and services.</td>
<td>• Resources</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Classification of resources</td>
<td></td>
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<td></td>
<td></td>
<td>• Economic resources and non-economic resources</td>
<td></td>
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<td></td>
<td></td>
<td>• Renewable and non-renewable resources</td>
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<td></td>
<td></td>
<td>• Factors of production</td>
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<td></td>
<td></td>
<td>• Land</td>
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<tr>
<td></td>
<td></td>
<td>• Labour</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Capital</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Entrepreneurship</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>Makes rational decisions to fulfill unlimited wants with limited resources of alternative uses.</td>
<td>• Scarcity</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Unlimited wants</td>
<td></td>
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<td></td>
<td></td>
<td>• Limited resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Economic resources with alternative uses</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Choice</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Opportunity cost</td>
<td></td>
</tr>
<tr>
<td>COMPETENCY</td>
<td>COMPETENCY LEVELS</td>
<td>CONTENT</td>
<td>PERIODS</td>
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</tbody>
</table>
| 1.6        | Presents different opportunity cost scenarios by using the Production Possibility Frontier. | - Production Possibility Frontier (PPF)  
  - Definition  
  - Assumptions  
  - Determinants  
  - Graphical and numerical presentation of opportunity cost  
  - Constant opportunity cost  
  - Increasing opportunity cost  
  - Increasing opportunity cost as a more realistic situation and underlying reasons  |         |
| 1.7        | Uses Production Possibility Curve to present usage of resources in an economy. | - Usage of resources  
  - Scarcity  
  - Utilization of resources fully and efficiently  
  - Under utilization and inefficient utilization of resources  
  - Change in production capacity (change in production possibility)  
  - Change in factor endowments  
  - Definition and measurement of productivity  
  - Changing productivity  
    - Technology  
    - Human capital  
    - Management  
    - Division of labour and specialization of labour |         |
<table>
<thead>
<tr>
<th>COMPETENCY</th>
<th>COMPETENCY LEVELS</th>
<th>CONTENT</th>
<th>PERIODS</th>
</tr>
</thead>
</table>
| 1.8        | Takes efficient decisions on the allocation of resources and output. | • Basic economic problems  
  • Allocation of resources  
  • What is to produce and in what quantity?  
  • Production  
  • How to produce?  
  • Distribution of output  
  • For whom to produce? | 06 |
| 1.9        | Demonstrates the behaviour of the main actors in an economic system. | • Economic system  
  • Definition  
  • Elements Main actors  
  • Households  
  • Government  
  • Firms  
  • Others  
  • Labour organizations  
  • Nongovernmental organizations  
  • Coordinating mechanism  
  • Price mechanism  
  • Planning command mechanism  
  • Rules and regulations  
  • Legal framework  
  • Procedures  
  • Policies  
  • Norms and traditions  
  • Custom and culture |
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<td>• Criteria for classification of economic systems</td>
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<td>• The mixed economy</td>
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| 2. Analyses the rational behavior of households and firms in the market. | 2.1 Classifies markets in terms of economic analysis. | • Market  
• Classification of markets  
• Goods and services markets  
• Factor market  
• Demand for factor (Derived demand)  
• Payment for factor (Rent, Economic rent, Wages, Interest rate and Economic profit)  
• Relationship between variables  
• Independent variable  
• Dependant variable  
• Positive and negative relationships  
• Positive slopes and negative slopes  
• Graphs and equations  
• Linear graphs  
• Linear equations | 110 |
| 2.2 Uses graphs and equations for market analysis. | | | |

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|                  | 2.3 Investigates factors determining the market demand.| • Demand  
|                  |                                                        |   • Definition  
|                  |                                                        |   • Individual demand  
|                  |                                                        |   • Market demand  
|                  |                                                        |   • The Theory of Demand  
|                  |                                                        |   • Individual demand  
|                  |                                                        |   • Market demand  
|                  |                                                        |   • Demand function  
|                  |                                                        |   • Individual demand function  
|                  |                                                        |   • Market demand function  
|                  |                                                        |   • The Law of Demand  
|                  | 2.4 Analyses relationship between price and quantity demanded. | • Methods of presenting the Law of Demand  
|                  |                                                        |   • Demand schedule  
|                  |                                                        |   • Demand curve  
|                  |                                                        |   • Demand equation  
|                  |                                                        |   • Reasons for the Law of Demand  
|                  |                                                        |   • Income effect  
|                  |                                                        |   • Substitution effect  
|                  |                                                        |   • Exceptions to the Law of Demand  
|                  |                                                        |   • Giffen goods  
<p>|                  |                                                        |   • Demonstrative goods  |</p>
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| 2.5        | Distinguishes between change in quantity demanded and changes in demand. | Change in quantity demanded  
Increase in quantity demanded  
Decrease in quantity demanded  
Change in demand  
Increase in demand  
Decrease in demand |         |
| 2.6        | Calculates elasticity to identify types of price elasticity of demand. | Concept of elasticity  
Definition  
Price elasticity of demand  
Definition  
Point elasticity of demand  
Formula and calculation  
Elasticity categories according to the coefficient of elasticity  
Perfect inelastic  
Inelastic  
Unitary elastic  
Elastic  
Perfect elastic  
Price elasticity and the slope of the demand curve  
Price elasticity and demand equation |         |
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| 2.7        | Examines the rational decision making in a market based on price elasticity of demand. | • Determinants of price elasticity of demand  
• Price elasticity and consumer outlay/producer revenue.  
• Practical relevance of price elasticity of demand |         |
| 2.8        | Examines rational decision making in a market based on cross price elasticity of demand. | • Cross price elasticity of demand  
• Definition  
• Formula and calculation  
• Classification of goods according to the elasticity coefficient  
  • Substitute goods  
  • Complementary goods  
• Practical importance of cross price elasticity of demand |         |
| 2.9        | Examines rational decision making in a market based on income elasticity of demand. | • Income elasticity of demand  
• Definition  
• Formula and calculation  
• Classification of goods according to the elasticity coefficient  
  • Normal goods  
  • Essential goods  
  • Luxury goods  
  • Inferior goods  
• Practical importance of Income elasticity of demand |         |
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|            | 2.10 Analyses the factors determining market supply. | • Supply  
  • Definition  
  • Firm's supply  
  • Market supply  
  • Theory of supply  
  • Supply function  
  • The Law of Supply  
  • Methods of presenting the Law of Supply  
  • Supply schedule  
  • Supply curve  
  • Supply equation  
  • Reasons for the Law of Supply  
  • Increasing opportunity cost  
  • Change in quantity supplied  
  • Increase in quantity supplied  
  • Decrease in quantity supplied  
  • Change in supply  
  • Increase in supply and reasons  
  • Decrease in supply and reasons |         |
<p>|            | 2.11 Examines the relationship between price and quantity supplied. |         |         |
|            | 2.12 Distinguishes between change in quantity supplied and change in supply. |         |         |</p>
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| 2.13       | Investigates rational decision making process in a market according to price elasticity of supply. | • Price elasticity of supply  
  • Definition  
  • Formula and calculation  
  • Categories of price elasticity of supply according to elasticity coefficient  
    • Perfect inelastic  
    • Inelastic  
    • Unitary elastic  
    • Elastic  
    • Perfect elastic  
  • Price elasticity of supply and slope of the supply curve  
  • Price elasticity of supply and supply equation  
  • Determinants of price elasticity of supply  
  • Usefulness of price elasticity of supply and it's practical applications. |
| 2.14       | Investigates the determination of price in a market.                             | • Market equilibrium  
  • Definition  
  • Methods of determination market equilibrium  
    • Demand and supply schedules  
    • Graphical methods  
    • Equations  
    • Concepts associated with market equilibrium |
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<td>• Excess demand&lt;br&gt;• Excess supply&lt;br&gt;• Excess demand price&lt;br&gt;• Excess supply price&lt;br&gt;• Consumer surplus&lt;br&gt;• Producer surplus&lt;br&gt;• Change in equilibrium&lt;br&gt;• Demand changing in fixed supply&lt;br&gt;• Supply changing in fixed demand&lt;br&gt;• Change in both demand and supply&lt;br&gt;• Taxes on goods and services&lt;br&gt;• Specific tax/unit tax&lt;br&gt;• Ad valorem tax&lt;br&gt;• Methods of presenting impact of unit tax&lt;br&gt;• Demand and supply schedule&lt;br&gt;• Graphical method&lt;br&gt;• Equations&lt;br&gt;• Effects of unit tax&lt;br&gt;• Equilibrium&lt;br&gt;• Total outlay&lt;br&gt;• Total revenue</td>
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|            | 2.17 Investigates the distribution tax incidence according to demand and supply elasticities. | • Consumer surplus  
• Producer surplus  
• Government revenue  
• Social welfare  
• Tax Incidence of unit taxation  
• Consumers  
• Producers  
• Tax incidence on unit tax according to demand and supply elasticities  
• Producer subsidies  
• Unit subsidy  
• Ad valorem subsidy  
• Methods of presenting impact of unit subsidy  
• Demand and supply schedule  
• Graphical method  
• Equations  
• Impact of producers unit subsidy  
• Equilibrium  
• Total outlay  
• Total revenue  
• Consumers surplus |         |
|            | 2.18 Investigates the effects of subsidies on market operations. |         |         |

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| 2.19 Investigates the effects of price controls on market operations. | | • Producer surplus  
• Government expenditure  
• Social welfare  
• Distribution benefits of unit subsidy  
• Consumers  
• Producers  
• Distribution benefits of unit subsidy according elasticity of demand and supply | | |
| | | • Price controls  
• Price ceiling / maximum price  
• Graphical presentation  
• Impact  
• Arrangements to make meaningful of price ceilings  
• Rationing  
• Importation  
• Encourage production  
• Floor price / minimum price  
• Graphical presentation  
• Impact | |
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| 3. Explores the rational behaviour of production units in the market. | 3.1 Analyses nature of the production process. | • Arrangements to make meaningful of price flooring  
• Storing surplus output  
• By-product  
• Promoting current demand  
• Export  
• Guaranteed price  
• Graphical presentation  
• Effects  
• Production function  
• Short run  
  • Law of Diminishing Returns (By a schedule)  
• Long run  
  • Law of Returns to Scale  
  • Increasing returns to scale  
  • Decreasing returns to scale  
  • Constant returns to scale | 35 |
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| 3.2        | Calculates production cost using various approaches.              | • Cost of production  
• Basic concept associated with cost of production  
  • Economic cost and Accounting cost  
  • Direct and indirect cost  
  • Normal profit as a cost  
• Short run production  
  • Fixed cost (FC)  
  • Variable cost (VC)  
  • Total cost (TC)  
  • Marginal cost (MC)  
  • Average cost (AC)  
• Presenting cost of production in short run  
  • Schedule  
  • Graphical methods  
• Market structures and their basic characteristics  
  • Perfect competition  
  • Monopoly  
  • Monopolistic competition  
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<p>| 3.3        | Analyses the behaviour of cost in the production process.           |         |         |
| 3.4        | Analyses market structures through basic characteristics.           |         |         |</p>
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| 3.5 Analyses the short run behaviour of a firm in perfect competition. | | • Demand curve for a perfect competition firm  
• Profit maximization in short run  
• Total revenue and total cost approach (Explain using a simple schedule)  
• Marginal revenue and marginal cost approach (Explain using a simple schedule)  
• Short run equilibrium of a perfects competition  
• Super normal profit / abnormal profit  
• Normal profit  
• Incurring losses  
• Deviation of perfect competitive market model from reality | |
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| 4. Demonstrates preparedness to compile National Accounts within macroeconomic framework. | 4.1 Investigates macroeconomic objectives. | • Macroeconomic objectives  
- Full employment  
- Economic stability  
- Equality  
- Economic growth  
- Sustainable development  
• Key macroeconomic variables  
- National output  
- Employment  
- General price level  
- Balance of payment  
- Foreign exchange rate  
- Business cycles  
- Potential output and actual output  
- Contraction and expansion  
• The circular flow of national income  
• National accounting approaches  
- Output approach  
- Income approach  
- Expenditure approach  
- Items to be excluded from national accounting | 50 |
<p>| | 4.2 Investigates key macroeconomic variables | | |
| | 4.3 Analyses alternative approaches to national accounting using the circular flow of national income. | | |</p>
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<td>• Methods to avoid multiple counting errors</td>
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<td>• Final output method</td>
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<td>• Value added method</td>
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<td>Investigates various concepts of output approach on a comparative base.</td>
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<td>• Gross domestic product</td>
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<td>• Factor price and market price</td>
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<td>• Current price and constant price</td>
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<td>• Gross domestic product and Gross national product deflator</td>
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<td>Demonstrates preparedness to compile National Accounts using the expenditure approach.</td>
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<td>• Government purchases (G)</td>
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<td>• Net exports (NX)</td>
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| 4.7 Demonstrates preparedness to compile National Accounts using the income approach. | | • Gross domestic expenditure and gross domestic product  
• Gross national expenditure  
• Methods to avoid multiple counting errors  
• Resources and their utilization (Explain using related data in Sri Lanka)  
• Income approach  
• Factor incomes  
• Employee incomes  
• Rent  
• Net interest  
• Profit and entrepreneurial incomes  
• Domestic income  
• National Income  
• Methods to avoid multiple counting errors  
• Gross domestic product  
• Personal income  
• Disposable personal income  
• The relationship between Balance of Payment and national accounts (Brief explanation)  
• Disposable gross national income  
• Real national income  
• Gross domestic savings and national savings (Explain using related data in Sri Lanka) | | |
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| 4.8 Investigates the applications of national accounts. | • Applications national accounts  
• Per capita output / income  
• Sectoral contribution  
• Limitations of national accounts  
• Non-market transactions  
• Illegal economic activities  
• Informal economic activities  
• Quality improvements of output  
• Omission of environmental impact  
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• Green national accounts | | |
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| 5 Investigates determination of macro economic equilibrium. | 5.1 Investigates the components of aggregate expenditure. | • Aggregate expenditure - income approach  
• Components of aggregate expenditure and their determinants  
  • Consumption expenditure  
  • Investment  
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  • By schedules  
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  • By equations | |
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| 5.3        | Demonstrates the changes in equilibrium level of income due to aggregate expenditure components using the multiplier process. | • Change in equilibrium in two sector model  
• Change in consumption function  
• Change in investment  
• The multiplier process in two sector model  
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• By equations  
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| 5.4        | Investigates determination equilibrium in a closed economy. | • Closed economy equilibrium  
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• Withdrawals-injections approach  
• Consumption function (C)  
• Savings function (S)  
• Autonomous taxes (T)  
• Government expenditure  
• Government purchase (G)  
• Transfers (TR)  
• Investment (I)  
• Calculating closed economy equilibrium  
• By schedule  
• By graphical methods  
• By equations | |
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| 5.5 Investigates determination equilibrium in an open economy. | • Open economy equilibrium  
• Income -expenditure approach  
• Withdrawals - injections approach  
• Autonomous taxes (T)  
• Exports (X)  
• Calculating open economy equilibrium  
• By schedule  
• By equations | | 300 |
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- Measures of general price level  
- Basic introduction in price indices. | 25 |
| | 6.2 Investigates price indices that measure change of general price level in Sri Lanka. | - Price indices that measure the change of general price level in Sri Lanka  
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| | 6.3 Studies the types of inflation analyzing the concepts of inflation. | - Inflation  
- Definition  
- Measures of inflation  
- Headline inflation  
- Core inflation  
- Types of inflation  
- Galloping inflation  
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| 7. Analyses the contribution of monetary and banking system to the economic process. | 6.4 Analyses causes and effects of inflation using different approaches to inflation. | • Spiral inflation  
• Suppressed inflation  
• Disinflation  
• Deflation  
• Different approaches to analyses inflation  
  • Demand-pull inflation  
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  • Cost of inflation  
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  • Definition  
  • Characteristics of money  
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  • Bank money  
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| 7.2        | Presents the factors determining the demand for money. | • Functions of money  
• Value of money  
• Internal value  
• External value  
• Demand for money  
• Definition  
• Determinants of demand for money  
• Transactions motive  
• Precautionary motive  
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• The supply of money.  
• Definition  
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• M₁  
• M₂  
• M₂₅  
• M₄ | |
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| 7.4        | Classifies the financial system of Sri Lanka. | • Base money  
• Determinants of base money supply  
• Using Central bank liabilities and assets  
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| 7.5        | Investigates the functions of commercial banks in the banking system. | • Banking sector  
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| 7.6        | Investigates the role of the Central Bank as the apex financial institution in Sri Lanka. | • Commercial banks  
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| 7.7        | Investigates the use of monetary policy instruments in Sri Lanka. | • Monetary policy  
• Monetary policy instruments  
• Quantitative monetary instruments  
  • Policy interest rates  
  • Bank Rate  
  • Repo Rate  
  • Reverse Repo Rate.  
  • Statutory Reserve Ratio.  
  • Open market operations.  
  • Credit control instruments.  
  • Credit ceilings  
  • Collateral requirement for loans  
  • Selective interest rates  
  • Moral suasion |         |
| 7.8        | Analyses the financial market in Sri Lanka. | • The financial market in Sri Lanka.  
• Definition  
• Classification |         |
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| 8. Investigates the type of intervention of the government to achieve macroeconomic objectives. | 8.1 Logically represents the reasons for market failure. | • Money Market  
• Definition  
• Sub Money Markets  
• Market failure.  
• Reasons for market failure.  
• Externalities.  
• Imperfect competition  
• Imperfect information  
• Non provision of public goods  
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• Inefficiency in the provision of merit goods  
• Provision demerit goods  
• Externalities  
• Externalities in production  
  • Positive externalities  
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| 8.3        | Investigates the role of the government in a market economy. | - Externalities in consumption  
- Positive externalities  
- Negative externalities  
- Externalities and market failure.  
- The meaning correct market failures caused by externalities. |         |
| 8.4        | Investigates the use of Fiscal policy to achieve macro economic objectives. | - The role of the government in a market economy.  
- Efficiency in allocation of resources  
- Equality in distribution of income and wealth  
- Provision of legal framework and governance  
- Macro economic stability  
- Economic growth and sustainable development.  
- Provision of infrastructure facilities.  
- Government failure  
- Fiscal policy  
- Definition  
- Fiscal policy instruments. |         |
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| 8.5        |                   | The use of fiscal policy to achieve macro economic objectives.  
|            |                   | - Full employment  
|            |                   | - Price stability  
|            |                   | - Economic growth  
|            |                   | - Balance of payments stability  
|            |                   | - Equity in income and wealth distribution.  
|            |                   | - Sustainable development.  
|            |                   | - Issues in achieving macro economic objectives.  
|            |                   | Government revenue.  
|            |                   | - Tax revenue  
|            |                   | - Non-tax revenue  
|            |                   | - Principles of taxing  
|            |                   | - Types of taxes  
|            |                   | - Classification of taxes on the incidence of taxation.  
|            |                   |   - Direct tax  
|            |                   |   - Indirect tax  
|            |                   | - Classification of tax according to levay  
|            |                   |   - Proportional taxes  
|            |                   |   - Progressive taxes  
|            |                   |   - Regressive taxes  

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| 8.6 Reveals recent changes in the composition of government expenditure. | | • Economic effects of taxation  
  • The structure of government revenue in Sri Lanka.  
  • The trends of the government revenue in Sri Lanka.  
  • Government expenditure  
  • Classification of government expenditure.  
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  • Current expenditure  
  • Capital expenditure  
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    • Social service expenditure  
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| 8.7        | Analytically investigates economic effects of government budgetary policies. | • The Government budget  
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• Deficit, surplus and balanced budget.  
• Budgetary policies  
• Expansionary budgetary policy  
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| 8.8        | Investigates the government budget and its economic effects. | • Budgetary in Sri Lanka.  
• Budget deficit  
• The causes for the budget deficit.  
• Financing of budget deficit.  
• Economic effects of budget deficit. |
| 8.9        | Investigates the composition and trends of public debt in Sri Lanka. | • Public debt  
• Public debt structure  
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• Servicing of public debt  
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| 8.10       | Analyses economic effects of supply promotion policies of government. | • Supply promotion policies.  
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  • Privatization  
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  • Labour market reforms.  
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|            | 9.2 Analyses the impact of protectionist policies in international trade. | • Free Trade  
• Protectionism  
• Type of protectionist policies  
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• Impact of protectionist policies  
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|            | 9.3 Investigates structure and trends of the international trade in Sri Lanka. | • Exports of Sri Lankan  
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• Imports of Sri Lankan  
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- International Monetary Fund (IMF)  
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<td>10.9 Explores quantitative and structural characteristics of employment and unemployment in Sri Lanka.</td>
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| 11. Evaluates performance of Sri Lanka economy since independence. | 11.1 Inquires into the sectoral composition of Gross Domestic Product and employment in Sri Lanka. | • Gross Domestic Product  
  • Sectoral composition  
  • Private and state sector contribution.  
  • Employment  
  • Sectoral composition  
  • Private and state sector contribution | 40 |
| | 11.2 Analyses the pattern of economic growth since independency in Sri Lanka. | • Patterns of economic growth since independent  
  • From 1948 to 1977  
  • After 1977 | |
| | 11.3 Investigates the issues related to the agricultural sector in Sri Lanka. | • Agricultural sector  
  • Agricultural sector contribution to economic development process  
  • Overall performance and trends  
  • Potentials and problems in domestic agriculture  
  • Problems and potentials in plantation agriculture  
  • Agro based industries | |
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| 11.4       | Investigates the issues related to the industrial sector in Sri Lanka. | • Industrial sector  
  • Industrial sector contribution to economic development process  
  • Overall performance and trends  
  • Trends in private sectors  
  • Public sector industries  
  • The role of small and micro level enterprises |         |
| 11.5       | Investigates the issues related to the service sector in Sri Lanka.  | • Service sector  
  • Services sector contribution to economic development process  
  • Structure and trends  
  • Growth and structural changes  
  • Infrastructure oriented services  
  • Economic, social and finance infrastructures  
  • The role of private sector in infrastructures development |         |
| 11.6       | Investigates contemporary economic events.  | • Contemporary economic events  
  • Domestic  
  • Global  
  • Effects contemporary economic events |         |

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6.0 Learning - Teaching Strategies

Economics studies the manner of economic behaviour of people in society. The learning and teaching process of the subject makes students to think and work along to economic perspectives. Therefore, it is necessary to make the proposed learning-teaching process more practical and student centered. It is expected of students to capture concepts of economics simply and use them practically. Thus it is important to use appropriate methodologies in order to generate knowledge, attitudes and skills as well as good lifestyles. The learning-teaching process should be effectively planned in order for student to learn theories, principles and experiences in this discipline. Economics is a social science that entails deep, complex and derived concepts which study the economic behavior of human beings. There are large numbers of learning methodologies which can be obtained from the society they live in as well as through their experiences. It is expected of the teacher to select appropriate methodologies, plan and implement them.

As this syllabus has been built on the basis of competencies, it is expected to implement methodologies based on Inquiry Based Learning Approaches to achieve the competencies and competency levels proposed in the syllabus. It has been proposed to use the Inquiry based learning-teaching approach, the experiential learning approach and the constructivist learning approach.

Examples that could be used for each learning teaching processes are mentioned below. The use of such methods can provide the pathway for active learning. It is assumed that through this it would be possible to eradicate the lethargic and indifferent environment in the classroom.

- Self studies using books
- Assignments and projects
- Observation and exploration
- Problem solving
- Group learning method
The teacher should always perform a very important role as: a facilitator, a monitor and a resource person. It is expected that specially focus on application oriented learning—teaching methods, individual or group activities, assignments etc., may always lead the student to creative and inquisitive thinking.

7.0 School Policies and Programs

Effectiveness of the classroom learning and teaching process highly influences the effective achievement of the expected objectives and competencies of the Economics subject. As such it is most important to organize appropriate school policies and programs.

According to this revised syllabus 600 periods has been allocated for two years, it includes 500 periods for content and 100 periods for activities.
It is necessary to select, practice-oriented, subject related activities and co-curricular activities when selecting the methodologies to be utilized for the learning teaching process in Economics. A pathway could be opened to bring out student’s hidden talents creativity through this process. Therefore, there is need to pay attention to school policies and programs which could be used for this purpose.

**Examples of possible programs to be implemented**

- Collect information by observing the market
- Make students think along economic lines.
- Set up commerce associations.
- Organize discussions and conferences to provide experiences from society to the class room.
- Organize field trips to observe and study locations such as economic centers, share market etc.
- Maintain a collection of subject related articles published in magazines and newspapers.
- Guide students in the maintenance of a wall paper and a magazine on global trends related to economics.
- Study how market forces work by organizing a market.
- Create and stage ment appropriate dramas to display a person’s economic behavior.
- Conduct competitions, debates discussions and conferences.
- Collect information related to economics using internet.
- Provide awareness of contemporary events in terms of economics.
It is necessary to develop its own specific policy for each school in order to organize special programs and activities related to the subject as mentioned above. It is appropriate to appoint a committee comprising students and teachers of economics for two years as a sub-program of the school annual plan to prepare subject-related special programs and policies. It is better to decide on the future programs and policies which are expected to be implemented parallel to AL economics and amalgamate them to the school annual plan. In these events, it is necessary to incorporate the needs of stakeholders of education, parents and students, and government policies. It is necessary to implement a proper study of the relationship among resources, funds, schools and the community.

8.0 Assessment and Evaluation

It is expected to prepare and implement teaching-learning tools creatively to cover the prescribed competency and competency levels under school-based assessment for every term each year.

This syllabus is recommended for the G.C.E (A/L) examination which is the national level evaluation at the end of grade 13. The national level examination based on this revised syllabus, conducted by the Examinations Department of Sri Lanka will be held for the first time in 2012. The structure and nature of question paper of this examination will be provided by the Department of Examination.