EXAMINER'S REPORT

LEVEL I EXAMINATION - JANUARY 2021

(103) ECONOMICS

Section A

Question No. 01

This part has been prepared based on the economic theories and concepts related to the syllabus.

From question **1.1** to **1.10,** it was required to select the most correct answer, from question **1.11** to **1.12,** it was required to select the correct answer from the answers given within brackets, from **1.13** to **1.15,** it was required to state the given statements are true or false, and from **1.16** to **1.20,** it was required to state short answers in the answer script.

Most of the candidates have attempted this question really well, but some have made mistakes in giving answers for this part. The common weaknesses observed in the answers have been given below:

(1.1)   Knowledge on candidates of an economic good have been tested from this question. Most of the candidates have answered correctly and were able to obtain marks allocated. However, some candidates have provided incorrect answers:

(1.2)   This question tested regarding "scarcity". Most of the candidates have mentioned that *"scarcity is the limited resources to fulfill human needs and wants"* and were able to obtain marks.

(1.3)   It was required to identify the correct definition for "Opportunity cost". Most of them have selected the correct answer for this as well.

(1.4)   Utility concept has been tested from this question. It was noted from the answers that majority of them had no understanding as to what is "Total Utility". Only a fewer number of candidates had correct understanding on this.

(1.5)   Elasticity of Demand has been tested from this question. However, majority of the candidates were able to obtain marks allocates for this.

(1.6)   Consumers' surplus and Producers' surplus have been tested from this question. Majority of the candidates have correctly answered this part and were able to obtain marks allocated. However, a very few candidates who did not had correct understanding of the concept, were not able to get the correct answer. They were confused with the graph presented.

(1.7) Electronic money has been tested from this question. Most of the candidates have attempted this question. Most of the candidates have answered this question correctly and were able to obtain allocated marks.

(1.8) This question tested the knowledge on Demand Theory. Most of the candidates have provided incorrect answers for this. Only a handful of candidates were able to obtain the correct answer.

(1.9) This question tested the knowledge on balance of payment statement. Considerable number of candidates were unable to obtain marks, due to selecting the incorrect answer, *"government grants"* instead of the correct answer "*Direct Foreign Investments".*

(1.10) This was a practical question, based on the Central Bank report. Most of the candidates were unable to select the correct answer of *"2.3%"*. Only a very few candidates were able to identify the answer correctly.

(1.11) This question tested the knowledge of candidates on marginal revenue and marginal cost. Most of the candidates have done correctly and chosen the answer *"marginal cost"*.

(1.12) *"When consumer income increases, the demand curve shifts right".* This was the correct answer and most of them had stated the correct answer and obtained the allocated marks.

(1.13) - (1.15)

It was required to state whether the given statements are True or False. Answers to this part was very successful. However, most of the candidates have stated the statement given under part **(1.14)** as false though it was true. Further, the statement given under **(1.15)** was stated as "True" by majority, though it was "False". It was noted from the answers that candidates were lack with the knowledge on Elasticity of Demand.

(1.16) This question tested the knowledge on shifting the supply curve. However, due to not having a proper understanding on the concept of supply, most of the candidates have provided incorrect answers for this. Irrelevant answers such as decrease the demand for the good supplied, not having raw materials, etc. have been provided by some candidates and were not able to obtain marks.

(1.17) It was required to explain the term *"change in quantity demanded"*. Some have mentioned incorrect answers such as change in demand due to increase or decrease in income, change in other factors when the price is stable, etc.

(1.18) This was given to test the knowledge on the theory of return to scale. Most of the candidates were unable to obtain marks for this. There were considerable number of candidates who could not attempt this question.

(1.19) Knowledge on Marginal revenue was tested from this question. Most of the candidates have not provided the correct answer for this.

(1.20) Ways by which the government intervenes the market was tested from this question. However, most of the candidates were unable to provide correct answers for this. Some have mentioned irrelevant answers such as gathering information on businesses, and were not able to obtain marks.

Section B

Question No. 02

(a) It was noted from the answers that candidates have a very good understanding on factors of production. However, there were candidates who have given incorrect answers such as household sector, government sector, business sector and foreign sector.

(b) Characteristics of a market economy has been tested from this question. Some have given incorrect answers such as providing supply as per demand as a method of market protectionism, having an adverse relationship between price and demand, etc. and were not able to obtain marks. However, considerable number of candidates have obtained marks for this question.

Question No. 03

(a) This question tested candidates' knowledge on Theories of Demand and Supply. Demand and supply equations related to a product have been given to identify the equilibrium price and quantity. Most of the candidates have solved the equations correctly, but there were considerable number of candidates who could not solve the equations correctly. There were some candidates who could not obtaine any marks for this question.

(b) This question tested the difference between long run and short run in production process. This was not understood by majority of candidates. Some have mentioned that, short run is the reduction in time to produce a certain product under the prevailing technology in maximum efficiency and long run as the period where efficiency is minimum due to talking more time, which were incorrect. It was noted from the answers that candidates' knowledge on variable and fixed factors is very low.

(c) Instead of writing Characteristics of Monopolistic competition, some have given Characteristics of Monopoly market. However, some candidates have given answers in very clever manner and obtained the full marks allocated.

Question No. 04

(a) This question tested the candidates' knowledge on functions of a commercial bank. Some candidates have provided incorrect answers without any understanding of the question. However, some others have provided correct answers and were able to obtain full marks allocated.

(b) It was required to explain the relationship between Profitability and Liquidity. Majority of the candidates were unable to obtain marks for this. It was noted from the answers that they did not have a proper understanding regarding the question. Some have not even attempted the question.

(c) It was required to mention reasons for inflation. Most of the candidates have provided incorrect answers for this. They were unable to obtain marks due to not having a proper understanding on the subject area. Some have not even attempted the question.

Question No. 05

(a) This question tested candidates' knowledge on disadvantages of International trade. Considerable number of candidates were unable to obtain full marks for this question. Some candidates have not answered the question. However, some candidates have obtained full marks for this question by giving complete answers.

(b) This question tested about advantages of Protectionism. Considerable number of candidates have provided correct answers for this. However, some candidates have not attempted this question.

(c) It was required to mention the consequences of depreciation of Sri Lankan rupees against the American Dollar. This question was successfully attempted by a very limited number of candidates. Most of the answers provided were incorrect. Though this was a timely question within the syllabus, the performance of the candidates were at a very lower level.

Section C

Question No. 06

(A) **(a)** It was required to compute the Gross Domestic Expenditure at market price. Some candidates have only added private consumption expenses, government consumption expenditure and gross domestic fixed capital formation which is incorrect. They have not adjusted the changes in stocks, as a result they have arrived at an incorrect answers.

(b) It was required to compute Gross Domestic Product at market price. In finding the Gross Domestic Product, net exports have not been adjusted. Some candidates have adjusted exports only.

(c) It was required to compute Gross National Income at Market price. When finding Gross National Income, Net Foreign Primary Income should be correctly adjusted, however, without considering the minus (-) sign, it was added by some of the candidates, and therefore were unable to obtain marks.

(B) **(a)** It was required to explain the difference between Fiscal policy and Finance policy of the government. Some candidates have mentioned Fiscal policy as set of common concepts, designed by government, which was incorrect. Also they have stated that finance policy has been designed based on the finance concept. The overall performance for this question is not that satisfactory.

(b) It was required to state the meaning of budget deficit. Most of the candidates have not attempted this question successfully. It was noted that they had no proper understanding on the concept.

(c) It was required to state the actions of the government to minimize the inefficiencies in distribution of resources in a market economy. Some have mentioned incorrect facts such as adding an official value to resources, imposing various taxes, etc. and were not able to obtain marks for this question. This question was not correctly understood by majority.

- - -

Common matters to be considered to improve competency level of candidates:

(1) Study the syllabus completely and thoroughly paying attention to new subject matters.

(2) Read the question with due care and not write unnecessary explanations/details when direct answers are expected.

(3) Action verb Check List with definitions is attached to the question paper itself and each question will begin with an action verb excluding Objective Test Questions (OTQs). Candidates should answer the questions based on the definition of the verb given in the Action Verb Check List.

(4) Refer specially the Self-Study Text, books, manuals, letters, magazines, central bank annual reports and anything relating to this subject.

(5) Pay attention to proper naming and explanation of graphs.

(6) Hand writing should be legible and question numbers should be placed accurately.

(7) Adhere to the instructions given in the question paper.

(8) Improve your knowledge by working past papers and comparing with suggested answers.

(9) Pay attention to proper time management.

(10) Sit for the exam with confidence after prior preparation and utmost expectation of getting through the exam.

- * * * -