

EXAMINER'S REPORT**LEVEL I EXAMINATION - JANUARY 2022****(103) ECONOMICS**

We could observe that answering to the Economics paper by most of the candidates is quantitatively at an acceptable level, however when it is taken as a whole it was evident that there are some questions which had been answered not up to the expected standard by the considerable number of candidates. Hence following are some of the main observations underlined by the examiners during the scrutinizing:

Section A**Question No. 01**

This section has been compiled covering a broad portion of the overall syllabus of Economics. This section has been prepared based on basic economic theories and concepts.

Questions **1.1** to **1.10**, required selection of correct answers out of the options given. Questions **1.11** and **1.12** required selection of the correct answer out of the 2 answers given. Questions **1.13** to **1.15** required to state whether the given statements are True or False while questions. **1.15** to **1.20** required short answers written in the answer booklet.

Questions 1.1 to 1.10

- 1.1** Most of the candidates had answered correctly this question set on scarcity, a basic concept in Economics.
- 1.2** In order to test the knowledge on production resources, the rewards for capital was questioned. Most of the candidates had correctly answered as “interest”.
- 1.3** Most of the candidates had identified that substitution motive is not a reason for demand for money.
- 1.4** To this question set to test the knowledge of price elasticity of demand although correct answers had been provided by many candidates, some candidates had mentioned the concepts of “Perfectly Inelastic” and “Inelastic”.
- 1.5** Satisfactory answers had not been provided to this question set on Indifference curve analysis.
- 1.6** Satisfactory answers had not been provided to this question relating to per capita income for the year 2020 tested based on the Central Bank Report.
- 1.7** Most of the candidates had provided the correct answers of cost of material to this question set on direct costs.

1.8 It was noticed from the unsatisfactory answers of many candidates that they lack of knowledge about human development.

1.9 What is denoted from the answers provided to this question testing about financial intermediaries is that candidates lack knowledge about them.

1.10 Candidates were unable to write satisfactory answers to this question set in association with cost of production. The reason for it is that a broad understanding of every concept in cost analysis should be possessed to provide a satisfactory answers.

1.11 and **1.12**

Most of the candidates had provided satisfactory answers to these two questions in which the correct answer had to be selected out of the given answers. Knowledge about monopolistic competitive firms and value of money had been tested.

1.13 and **1.15**

Most of the candidates had provided satisfactory answers to this problem in which the True or False of statements was tested. Knowledge of short-run production process, law of diminishing marginal returns and law of supply had been tested.

1.16 and **1.20** short answers were required from candidates to these questions.

1.16 Stating two factors that shift the Demand curve to the right was required. Majority of candidates had provided correct answers to this. But, a few candidates had stated the factors that affect the demand curve to shift to the left.

1.17 Characteristics of oligopoly market had been tested. Certain candidates had mixed-up and stated characteristics of other types of market.

1.18 It was required to briefly explain what is meant by change in demand. That is shifting of demand curve to right or left. However, some candidates had explained the change of quantity of demand or moving along the demand curve.

1.19 Explaining what is meant by long run production in a production process was required. However, only a few candidates had recognized that long run meant the time taken to convert all production factors to variable factors.

1.20 Majority of the candidates had correctly stated two examples for leakages of the circular flow of national income and obtained full marks.

Section B

Question No. 02

- (a) Full marks had been obtained having successfully answered this question that tested characteristics of non-economic goods.
- (b) Some candidates had very clearly identified and named these basic economic problems and how those are solved by a planned economic system and successfully obtained full amount of marks.
- But, some candidates had only named the basic economic problems and had not explained how those are solved.
 - Some candidates had written and explained the basic economic problems, but not written as to how those are solved and therefore failed to obtain full marks.
- (c) Most of the candidates had correctly stated characteristics of labour and obtained full marks. A few candidates had not attempted to answer this question.

Question No. 03

- (a) (i) Although it was required to identify the equilibrium price and quantity using a graph, with the demand and supply equations provided, candidates had ignored solving the problem through a graph and done it algebraically. Therefore, they were unable to earn the full 4 marks. Candidates should train to provide answers as per instructions in the question.
- (ii) Most of the candidates had correctly calculated the producer's surplus and obtained full marks. But, they had overlooked to write the equation and calculate step by step. Further, some candidates had calculated consumer surplus instead of producer's surplus.
- (b) It was required to explain the consequences of imposing a unit tax for a commodity by the government. When a tax is imposed on a commodity by the government, as its production cost increases, the supply decreases and the supply curve shifts to the left. The demand curve remain unchanged and therefore the equilibrium quantity decreases and the equilibrium price of the commodity goes up. Further, the tax has to be borne by the consumers and the producers and it entitles a social cost. Only a few candidates had fully explained in this manner.

Question No. 04

- (a) Candidates had presented matters gathered in association with practical information in Sri Lanka relating to measures for control of inflation and had been successful in earning marks.
- (b) Candidates had correctly stated successfully the advantages of using electronic money using their practical knowledge.

- (c) Although it was required to explain quantitative monetary policy instruments of the Central Bank of Sri Lanka, most candidates had only stated those but not explained those.

Only a few candidates had written two matters as required in the question, explained those and earned full marks.

Question No. 05

- (a) The knowledge of candidates on the term “Terms of Trade” was at a low level. The purchasing power of imports in an export unit had been mixed up. Incorrect answers such as the ratio between exports and imports had been provided.

Terms of trade is showing the ratio between export price and import price as a percentage. Most candidates had forgotten multiplication by 100.

- (b) Candidates had stated correctly that producing a good, more efficiently by one country than another is called absolute advantage theory and earned marks.

But some candidates had incorrectly stated that the country with lower opportunity cost gets the absolute advantage, which is an incorrect answer.

- (c) As steps that can be taken to reduce the negative impact on devaluation of Sri Lankan rupee against the US Dollar, a trending question practically relevant to the present, correct answers based on imports and exports had been submitted, as reducing expenditure on imports and increasing income from exports.

Further, it appeared that some candidates had a good understanding on this aspect as they had mentioned about improving local industries.

Section C

Question No. 06

- (A) (a) (i) Most candidates had correctly calculated Gross Domestic Expenditure at market price adding up private consumption expenditure, government consumption expenditure and gross domestic capital formation, etc.
- (ii) Although most candidates had correctly calculated Gross Domestic Product by adding exports to gross Domestic Expenditure, deducting imports, i.e. adjusting net exports, there were candidates who deducted exports incorrectly instead of adding exports.
- (iii) Calculation of Gross National Income, adjusting Net Factor Income from abroad to Gross Domestic Product had been correctly done by most candidates.
- (b) Most candidates had correctly stated the limitations of National Income accounts and obtained full marks.

- (B) Consequences of having a negative economic growth of a country had been successfully stated by most of the candidates.
- (C) Macro-economic objectives had to be explained. Most candidates had not been able to obtain full marks because although they had mentioned the objectives they had forgotten to explain those objectives.

Although the question paper has highlighted about an “Action Verbs Check List” to which candidates should have paid attention, it appeared from the answers that this has not happened.

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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.

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