

EXAMINER'S REPORT**LEVEL I EXAMINATION - JULY 2021****(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 was a compulsory question and first 10 parts from **1.1 to 1.10**, were multiple choice in nature. Considerably majority of the candidates had answered those successfully.

Part 1.11 and **1.12** were to answer selecting the suitable word out of two given. Answering to those two too had done successfully by most of the candidates.

Part 1.13 and **1.14** were to answer selecting "True" or "Falls" in order to complete the statement.

However, section **1.15 to 1.20** with five questions were to write the short answers (naming & listing). Answers given to this section comparatively were not up to the standard. This section had tested several theoretical aspects of the subject covering the syllabus.

Question 1.15

Answers given to this question by the majority of the candidates were incorrect. Distribution of income of consumers, nature of good have been mentioned as determinants of demand. Answers have been given without stating the price of the good under consideration or price of the related good.

Question 1.16

Candidates have not identified correctly the difference between substitution effect and income effect. Some have stated incorrectly that the change in income will result in income effect.

Question 1.17

Some candidates have stated determinants of price elasticity of supply as determinants of price elasticity of demand. They have stated incorrect answers such as definition of good, number of available substitutes, etc.

Question 1.18

Some candidates have mentioned the theory of Diminishing Marginal Returns instead of stages of economies of scale. Accordingly, they have incorrectly stated decreasing returns, increasing returns and constant returns.

Question 1.19

When differentiating “Accounting Profit” Vs “Economic Profit”, it was evident that majority of the students did not have a clear understanding on these two concepts. Many had just explained Accounting profit as the profit earned during a certain period by recording of transactions in books and calculating the profit. Thus the “economic profit” as a profit identified through the information derived through studying of an economy. This was not understood by the students and accordingly the answer was incorrect.

Question 1.20

Even though the expected answer for this question was to briefly explain the short-run production process many candidates had answered incorrectly. Most of them were unable to mention the fact that both variable and fixed factors are included in the short run production process.

Section B**Question No. 02**

- (a) It was required to list 3 main characteristics of Mixed Economy. The answers for this question was given clearly in the study text. Though it was required to mention characteristics of mixed economy, some of them had mentioned answers which are not relevant to the question.
- (b) In this section, it was asked to explain how the basic economic problems are solved by the Market Economic System, many had failed to distinguish and mention the basic economic problems clearly. Though they mentioned the basic economic problems correctly, they could not correctly mention how each of those problems are solved by market economic system. Therefore, they could obtain only half of the marks obtained. It was observed that most of them had not understood the question properly.
- (c) Almost all the candidates were successful in answering this question identifying the difference between needs and wants with relevant examples for each. Candidates had identified the “limited nature”, “common to everyone” as the attributes of the needs. It was also stated that needs are unlimited and changes from one person to the other and needs are satisfied through wants.

Question No. 03

- (a) To solve the equation, candidates needed the simple algebraic knowledge of mathematics. There were considerable number of candidates who had solved the equation and got the correct answer to secure the full marks allocated. However, some of the candidates who were lack of mathematic knowledge had failed to provide the correct answer & therefore, a few candidates had not scored the full marks allocated.
- (b) It was observed that most of the candidates have failed to use a graph and answer this part explaining the consequences of imposing a maximum price below the equilibrium price for a commodity by the government. Many candidates had identified the consequences of enforcing a maximum price, correctly. Yet there were many who had given one or two out of main three reasons - “generating an excess demand”, experiencing “Black market price”, “shortage in supply” & had scored only a part of the allocated marks

Question No. 04

- (a) In this question students were asked to list (04) characteristics of the “Perfect Competitive market”. From this, it was expected to test the knowledge & understanding about market structures in general. Most of the candidates had given vague/erroneous answers without focusing into the “Perfect Competitive Market” structure. There were some candidates who had given perfect answers. It was noted that those who struggle in answering had not studied. Some had mixed the characteristics of other “economic structures” while some others had mixed up “Perfect Competitive markets” with competitive industries.
- (b) From this, it was asked to list the consequences of inflation in a country like Sri Lanka, it was noticed that most of the candidates had given acceptable answers being aware of the general conditions of the situation. From this part, the candidates were able to score marks using their general knowledge.

Question No. 05

- (a) It was required to mention the ways by which the international trade can be controlled other than using tariffs. However, some of the candidates had mentioned vague answers stating “Export Development”, “Increase in employments”, “Increase in Customs Duties” etc. as the means of controlling International Trade.
- (b) (i) In this part candidates were asked to identify the absolute advantage of the two countries. Most of the candidates had scored from this section. Yet some others not got full marks allocated since they had just mentioned Country X & Country Y without referring to the product rice and wheat appropriately.

- (ii) In this section application of mathematical knowledge for the calculation of comparative & absolute advantages had been tested. It was noticed that, even though the calculation part had done correctly some students had not identified that Country X has got the comparative advantage in producing Wheat and Country Y for producing of rice. Hence, they had failed to get the total allocated marks to this section.
- (c) Most of the candidates had failed to answer this part correctly. Some had just written “Payments & Receipts”. A few candidates were able to give a satisfactory answer. As a whole, it was observed that this sub question as a part where majority of the candidates were failed to give correct answers.

Section C

Question No. 06

- (A) (a) It was noticed that some candidates did not have sufficient knowledge about the “recurrent expenditure” & “Capital expenditure” in the government budget. Even though, some had mentioned that it is the expenditure incurred to purchase of fixed assets, but they had failed to detail other expenses related to that. Lack of knowledge and understanding would be the reason.
- (b) In this part, it was tested the knowledge about indirect taxes. Many candidates had identified “indirect taxes” as a tax imposed indirectly and as a percentage. It implies that they did not have a sound knowledge about indirect taxes.
- (B) (a) Hypothetical data set had been given to test the knowledge of “Income Approach” in national income calculation. Those who had presented the data accurately and done the calculations correctly had got the full marks to this section. Some candidates had mixed up applying the net production subsidies correctly and therefore they had failed to get the full marks allocated.
- (b) Those who had identified the importance of preparation of National Accounts had answered correctly while there were considerable number of candidates with average knowledge had just written something irrelevant to the question.
- (C) In answering this section about “Government Fiscal Policy”, many candidates had answered successfully scoring the total allocated marks. However, when answering, many had mentioned only tax income and government expenditure as the components of the fiscal policy. Yet most candidates have forgotten government debts as part of the fiscal policy. Due to this, candidates were unable to obtain full marks allocated.

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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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