

## Examiner's Report

AA1 Examination - January 2016

### (AA13) ECONOMICS FOR BUSINESS & ACCOUNTING

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Most of the candidates had successfully answered this Economics question paper. However, some candidates had failed to obtain reasonable marks and common reasons for the same have been identified and stated below:

#### SECTION A

Objective Test Questions (OTQs)

#### **Question No. 01** – 40 Marks

This question had been structured covering the whole syllabus and in such a way that candidates could obtain maximum marks by using their knowledge on the same.

As a whole, the performance of candidates was satisfactory and most of them had successfully answered for this question.

Some candidates had answered as “√” and “×” for the questions from 1.11 to 1.15 instead of mentioning “True” and “False” as instructed in the question.

However, almost all the candidates had attempted this question and most of them had gained full marks.

#### SECTION B

This part consisted of 04 questions.

#### **Question No. 02** - 10 marks

- (a) It was expected to test the knowledge on “Economic Resources” which is one of the basic concepts in Economics through this question and majority had correctly answered the same.

Nevertheless, different answers had been provided as examples instead of land, labour, capital and entrepreneurship.

Ex: factories, agricultural lands

- (b) When identifying the difference between “Opportunity cost” and “Accounting cost”, it was observed that most of the candidates had correctly defined the opportunity cost though they had failed to do so for the accounting cost. Also, majority had failed to provide examples for “Accounting cost” though they had provided examples for “Opportunity cost”.

**Question No. 03** - 10 marks

(a) This question was expected to test the knowledge on market equilibrium. Most of the candidates had drawn graphs with certain mistakes which are as follows.

- Failure to indicate the names of axes (quantity, price)
- Failure to indicate the names of each curve (demand, supply)
- Failure to mark the equilibrium point
- Failure to indicate the excess supply and excess demand

The explanation based on the graph was also insufficient and inaccurate.

(b) It was observed that most of the candidates had not understood this question properly. Only the introductions on demand and supply had been provided in most of the answers.

Ex: Introduction on factors affecting the demand

Indicating factors affecting the supply, etc.

**Question No. 04** - 10 marks

(a) This question was expected to test the knowledge on market structures. It was based on the monopolistic competition and many candidates had provided correct answers though certain candidates had provided unsuccessful answers some of which are given below.

- Stating characteristics of monopoly instead of monopolistic competition
- Stating characteristics of other market structures without any basis
- Stating characteristics of all market structures without any basis

(b) This question tested the knowledge on motives for demanding money. Most of the candidates had provided correct answers though certain candidates had provided wrong answers, some of which are given below.

- Failure to provide explanations on transaction, precautionary and speculative motives though their names had been mentioned.
- In certain answers, candidates had been confused with the points relating to each motive.

**Question No. 05** - 10 marks

(a) Many candidates had failed to identify main objectives of the government budget. Provision of subsidies, collection of tax income, imposing taxes and obtaining loans had been stated as main objectives in most of the unsuccessful answers.

(b) This question required to measure the knowledge on consequences of imposing a minimum purchasing price (price floor) above the equilibrium price. Many candidates had failed to provide correct answers and failed to identify the difference between minimum and maximum price correctly was the main reason for the same.

Eg: It had been mentioned that the supply decreases as the supplier is discouraged by the minimum price and it is advantageous for the consumer.

## SECTION C

### **Question No. 06** - 20 marks

- (a) (i) This question was used to test the practical knowledge on national income accounting concept and most of the candidates had provided correct answers.
- (ii) Many candidates had stated limitations of national income accounting correctly. Failure to understand the question properly was the main reason for poor answers.
- (b) (i) This question was expected to test the understanding of candidates on computation of national accounts.
- (ii) This question required to compute the Gross Domestic Product (GDP) at factor cost price based on the given information in the question. It was observed that answers had been provided without proper understanding on national accounting concepts.
- (c) This question was relating to inflation and required to, explain the difference between “demand-pull inflation” and “cost push inflation” with the help of graphs. Very few candidates had provided correct answers for this question and it appeared that knowledge of candidates on this concept is not sufficient.

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### **Common facts to consider in order to improve the competency level of the exam candidates:**

- (1) Study of the new syllabus completely and thoroughly and paying high concentration on new subject matters.
- (2) Should not write unnecessary explanations/details when it is expected to write certain and direct answers after reading the question several times.
- (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 books, manuals, letters, magazines, central bank annual reports and anything related to this subject.
- (5) Proper naming and explanation of graphs.
- (6) Build competencies that are necessary to correctly identify and compare fundamental theoretical concepts, when answering.
- (7) Should ensure that hand writing is legible and question numbers are placed accurately and accordingly.
- (8) Adhere to the instructions given in the paper.
- (9) Improve your knowledge by referring past papers and answers.
- (10) Should be able to structure the differences between the Economic concepts relatively by a correct understanding of these concepts.
- (11) Proper time management.
- (12) Properly check whether question numbers are placed accordingly before handing over of the answer scripts.
- (13) Sit for the exam with prior preparation and an utmost expectation of getting through.

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