

Examiner's Report

AA1 Examination - July 2016

(AA13) ECONOMICS FOR BUSINESS & ACCOUNTING

Most of the candidates have successfully faced Economics for Business and Accounting question paper. However, certain candidates have not reached the level of competency and the following have been identified as the common reasons for the same.

SECTION A

Objective Test Questions (OTQs)

Question No. 01 – This question consisted of 20 compulsory questions for 40 marks.

This question had been structured reasonably covering the entire syllabus and in such a way that candidates could obtain maximum marks by use of their knowledge on the syllabus.

As a whole the competency level of most of the candidates was satisfactory for the questions which consisted of various types of questions such as selecting the most correct answer from the given answers, computations and questions related to the general knowledge. Several categories of questions that the candidates were failed to answer were identified. Accordingly, the following were weaknesses observed by the examiners.

Question No. 1.5

Candidates have failed to identify the correct answer because of the insufficient knowledge regarding taxes.

Question No. 1.7

A considerable number of candidates have mistakenly understood that the Economic Growth Rate in Sri Lanka for the year 2015 was 7.5%.

Question No. 1.10

It is apparent that the candidates have not reached the expected level of understanding in relation to the Moral Suasion in this question. This term has not been properly understood by the candidates.

Question No. 1.18

Some candidates have given incomplete answers as “GDP” without stating Nominal or Real.

Question No. 1.19

It has not been understood the difference between the “Money Supply” and “Monetary Base”. Some candidates have provided the incomplete answers as Money Supply without stating “Narrow”.

Question No. 1.20

Some candidates have provided the incomplete answers such as stating “Broad” which is insufficient to score marks. To score marks it should be stated whether Broad Money Multiplier or Broad Money Supply.

Some candidates have swapped the answers for the question number 1.19 and 1.20.

As a whole the majority of the candidates have answered successfully for this question.

SECTION B

This part consisted of 04 questions and ten (10) for each question.

Question No. 02

- (a) Many candidates have successfully identified the economic system of Sri Lanka as “mixed economy.”

Some candidates did not have a clear understanding about the economic system of Sri Lanka. They were incapable to identify the reasons for having such an economic system.

- (b) A considerable number of candidates have identified the basic economic problems of Sri Lanka and successfully explained those questions. But some candidates didn’t even possess the basic knowledge about the basic economics problems in an economy. They have explained the concepts such as scarcity and opportunity cost instead of basic economic problems.

Some candidates have not identified that basic economic problem of “For Whom to Produce” as a problem based on the purchasing power. They have erroneously explained the same as for children / for adults.

Question No. 03

- (a) The knowledge regarding the “Overall Government Budget Deficit” and sources of financing the Government Budget Deficit was tested by (i) and (ii).

(i) A majority of the candidates have failed to confront this question regarding the Overall Government Budget Deficit.

(ii) Although majority of the students have correctly stated the correct sources of financing the government Budget Deficit, Some candidates have provided the irrelevant answers such as indirect taxes, subsidies, penalties charged by courts.

- (b) It was required to state four (04) advantages of Public Enterprises. Only few candidates have understood the question properly. Many candidates have stated the advantages of entrepreneurship. Some other candidates have considered the public service instead of Public Enterprise and stated the incorrect and irrelevant answers such as permanent status of the public service, pensionable service, job security.

Question No. 04

- (a) Majority of the candidates have correctly stated the functions of money and explained them. As a result candidates have obtained high marks for this question.

But some candidates have made following shortcomings in answering.

- Only stating the functions of money without explaining them.
- Certain candidates have presented the irrelevant facts such as evolution of money, electronic money, characteristics of money.
- Unit of account / measure of value which is a function of money have been mixed up with foreign exchange when answering
- It has been stated the functions of price instead of functions of money.

- (b) The candidates who have successfully answered this question have cited four (04) main functions of a Commercial Bank.

Following were some weaknesses observed in the answers of some of the candidates who have failed to answer this question successfully, as a whole.

- Some candidates have stated functions of Central Bank.
- Several candidates have stated attract Demand Deposits, Time / FD and Saving Deposits as separate functions.

Question No. 05

- (a) It was required to explain what is meant by “Terms of Trade” in relation to International Trade by this part. Majority of the candidates have obtained low marks for this. English medium students have mixed up the meaning of “Terms of Trade” as conditions applicable in international trade. Many students have given irrelevant answers such as the difference between expenditure for imports and income from exports, the deficit between the income from exports and expenditure for imports.

- (b) (i) It was required to explain the meaning of “Economic Growth” and majority of the candidates have answered successfully. But several candidates have included inadequate definitions for “Economic Growth” in their explanations.

Eg: Not including the keywords such as “Real GDP” , “increase over the period”.

- (ii) The majority of the candidates have answered successfully for the sub part stating advantages of Economic Growth.

SECTION C

Question No. 06 – This is a compulsory question for 20 marks.

Part A

(a) It was expected to test the knowledge on market structures and it as required to state five (05) main characteristics of Monopoly from this part. Majority of the candidates have answered successfully. However following weaknesses were observed.

- Stating the characteristics of perfect competition
- Stating the characteristics of both Monopoly and Perfect Competition.

(b) It was required to explain with the help of graph, how a monopoly firm maximizes its profit in the short run. It was observed that a majority of the candidates did not have a clear understanding regarding this from following shortcomings and many were unsuccessful in answering.

- Not drawing the graph correctly.
- Not naming the axes
- Not showing the profit maximization according to the question in the graph.
- Not explaining the graph properly.
- Drawing the graph for maximization of profits of a firm in a perfect competition instead of a monopoly firm.

Part B

Theoretical and practical knowledge regarding the national accounts was tested.

(a) It was expected to test the knowledge regarding the difference between Gross Domestic Product (GDP) and Gross National Product (GNP). Majority of the candidates have answered questions successfully. However, certain candidates have failed to explain the difference correctly.

Following weaknesses were observed in those instances.

- Not defining the Gross Domestic Product (GDP) and Gross National Product (GNP) correctly.
- Not possessing an understanding about the Net Factor Income from abroad.

(b) The practical application of National Accounts was tested. It was required to calculate the Gross National Product (GNP) from the given hypothetical data. Majority of the candidates have performed the calculations correctly. However the most common mistaken observed was the insufficient knowledge to convert the “Factor Cost Prices” to “Market Prices.”

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

1. Study of the 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 specially the Self-Study Text, 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 a preparation and an utmost expectation of getting through.