

## Examiner's Report

AA1 Examination - July 2015

### (AA13) ECONOMICS FOR BUSINESS & ACCOUNTING

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Most of the candidates have successfully faced Economics question paper, even though it was presented under a new syllabus and a structure. 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** – 40 Marks

This question has 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 prevailed within the 20-30 range out of the total of 40 marks. Several categories of questions that the candidates were failed to answer were identified. Accordingly, the following are the weaknesses observed by the examiners.

#### **Question No. 1.8**

Candidates have failed to identify the Economic Growth Rate of Sri Lanka for 2014, possibly due to non-reference to subject related extra readings and inadequacy of practical knowledge.

#### **Question No. 1.11 -1.15**

It wasn't observed a much successful answering for these 05 questions to identify whether "True" Or "False". Many candidates have failed to answer correctly at least two questions. It has been observed that they possess a limited knowledge on the areas of Marginal Utility, Marginal cost and Average Cost.

#### **Question No. 1.19 -1.20**

It is apparent that the candidates have not reached the expected level of understanding in relation to the Perfect Competitive Market Structure and its Profit Maximization Cost conditions, by the weaknesses demonstrated in answering this question.

The percentage who attempted these questions prevailed at a very low level and out of which only a few could able to identify the correct answer. Therefore, the candidates should be concerned of obtaining an accurate knowledge on Market Structures and costs.

Further, only a few candidates have answered the Question No. 1.4, 1.5 and 1.9, correctly.

## SECTION B

This part consisted of 04 questions.

### **Question No. 02** - 08 marks

- (a) Many have been successful in securing the maximum level of marks by explaining the difference between human "Needs" and "Wants". Only few have missed that opportunity of obtaining the maximum marks as they have not given examples in explaining the difference.
- (b) This question expects to assess the knowledge level of the candidates in logically evaluating different spectrums to determine that Scarcity forms the foundation of Economics. The following weaknesses were observed even though a majority has been successful in defining Scarcity.
- Scarcity has not been correctly referred with its Economic relationship as expected.
  - Scarcity has not been explained in comparative means.
  - Not including the inter relationship between the concepts of choice, the alternative uses of resources and Opportunity cost, in their answers.

Marks obtained for this question has contributed towards getting an overall high marks for many candidates.

### **Question No. 03** - 08 marks

- (a) A majority of the candidates have failed to confront this question regarding the graphical presentation of the long term equilibrium of a firm under perfect competition. The following weaknesses proved that a majority has failed to grasp how the cost curves and its behavior affects the equilibrium.
- Demonstrate the market equilibrium with Demand and Supply curves instead of the long term equilibrium of a perfectly competitive firm.
  - Have created graphs that have no any relevance to the question.
  - Have not given logical explanations based on the graphs.
- (b) This question has got many correct answers, comparatively. However, there were instances where certain candidates have given features of Perfect Competition or features of a Market Economy. It emphasizes the fact that the candidates possess a low level of understanding regarding the market structure and costs than the level expected, based on their answers as a whole.

**Question No. 04** - 08 marks

- (a) Unnecessary explanations on definition of money, features of money, functions of money, evolution of money, demand for money has been made instead of value of money due to inability to correctly identify the concept of Value of Money.

However, certain candidates have correctly identified the concepts of Internal Value and External Value, Internal Official Value and Internal Real Value, while certain candidates have failed to mention the term of "Internal Real Value" though they have correctly identified the concepts.

- (b) The candidates who have successfully answered this question have cited the direct and indirect effects of a rise in the general price level through elaborating general but short facts.

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

- Stating irrelevant consequences. (Imports, Exports, Foreign loans etc.)
- Stating incorrect facts. (Promoting quality of life, Economic Growth, etc.)
- Stressing that increase in general price level has positive impacts on economy.
- Showing Inflation as a result of increase in general price level.

**Question No. 05** - 08 marks

- (a) Only a few candidates have attempted this question. A majority of the candidates have been very unsuccessful in explaining the meaning of the "Balance of Payment". The answers given confirmed that many of the candidates do not even possess a rough understanding about the Balance of Payment.

Ex: The Balance after making a payment, the remaining balance to pay

- (b) Answering to this part also remained unsuccessful and low reaffirming the unawareness in the above subject area. Indirectly related common facts such as economic policies, monetary and fiscal policies, and export and import trade were in plenty among the given answers.

As a majority of the candidates do not even possess a rough understanding about subject matters relating to Balance of Payments as a whole, it should be given a special consideration.

**SECTION C**

**Question No. 06** - 14 marks

- (a) Many of the candidates have answered successfully. Even though certain candidates have correctly drawn the sketch, they have failed to describe it successfully. Several weaknesses are seen as not identifying the two sectors of the Economy correctly, including 03 or 04 sectors and etc.

- (b) It is observed that a majority of the candidates have no clear understanding about concepts in relation to calculating Gross Domestic Product. Mostly, the concepts of "Current Price" and "Fixed Price" have been described only by its vocabulary meaning. The correct definitions and explanations were provided by the candidates at a minimal level.

Ex: Certain candidates have stated the "Fixed Price" as the "Price that does not change".

- (c) On average, candidates have done the calculations successfully. However, certain candidates have failed to identify the relationship between Factor Cost Price and Market Price, correctly.

Following weaknesses were observed in those instances.

- Not correctly adjusting for Indirect Taxes and concessions.
- Not correctly identifying where to adjust Net Foreign Factor Income.
- Not giving the pre work for approaching the final value.

**Question No. 07** - 14 marks

- (a) Many candidates have freely answered as per their level of knowledge with out the fundamental conceptual knowledge that is necessary to describe the difference between Economic Growth and Development with correct definitions.

The answers have failed because of explaining the improvement in infrastructure or a further growth in Economy as Economic Development. Further, growth has been indicated as a short term progress while development as a long term progress , and attempts to explain through Production Possibility Frontier Curves.

- (b) Candidates have been quite a successful in identifying factors required to achieve Economic Growth. While certain candidates could obtain higher marks by accurately identifying those facts, it was observed that some have written irrelevant facts without correctly understanding the question.

Ex: Have mentioned Gross Domestic Product, Per Capita Income, Factors of Production, Economic Infrastructure and etc.

- (c) Comparatively, this question was answered well by the candidates. In order to summarize ways of Government intervention to the market for the improvement of the Economic and Social welfare, it can be assumed that candidates have used their knowledge on practical interferences by government in Sri Lanka, recently. A majority have obtained reasonable marks for this question.

As a whole, many candidates have answered this question freely according to their own interpretations.

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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 a preparation and an utmost expectation of getting through.

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