

EXAMINER'S REPORT**LEVEL I EXAMINATION - JANUARY 2024****(103) ECONOMICS**

It was observed that most of the candidates have answered the Economics paper at quantitatively acceptable level. However, when it is taken as a whole it was evident that there were some mistakes in questions which had been answered by the candidates.

Hence, following are some of the main observations underlined by the marking examiners during the evaluation:

Section A**Question No. 01**

Section A has been structured to cover the entire syllabus. Questions **1.1** to **1.10**, were to select the correct answer out of multiple choices, questions **1.11** and **1.12** were to answer by choosing the correct answer one out of given two words, while questions **1.13** & **1.14** were to answer determining "True" or "False" of the given statements. Questions **1.15** to **1.20** expected short answers.

Most of the candidates had successfully scored this question and some candidates had provided poor answers. Thus, the common weaknesses can be underlined as follows:

- 1.1** Many candidates had correctly answered this question on the concept of "scarcity as the cause for limited availability of resources in relation to unlimited human wants".
- 1.2** Many had correctly identified the "Consumer behavior at the market" as an area not covered by macroeconomics.
- 1.3** Most of the students had correctly identified the answer to "change in supply" as "Price of the product remains constant and the other factors of supply change".
Yet some of the candidates had confused the concept and had answered incorrectly understanding "change in supply" as a cause of "Changing the price of the product while other factors of supply remains the same".
- 1.4** By correctly identifying the point X marked on the diagram as the "full employment" state of an economy, most of the answers to this question were correct.
- 1.5** It was observed that most of the candidates did not have adequate knowledge about the concept of "utility theory". Thus, answering this question of utility theory was not satisfactory and did not reach the desired level.

- 1.6** In this question having calculated the price elasticity of demand for a given product, the answer value received being less than one, it had successfully determined the answer as an “inelastic demand” by many candidates.
- 1.7** Answering to this question on “per capita income” as per the 2022 Central Bank Report is not satisfactory and this could indicate the lack of reference and attention to the use of Central Bank Report by the candidates.
- 1.8** Correct calculation of Consumer Surplus was scrutinized in many answer scripts.
- 1.9** Most of the candidates had recognized that the equilibrium of a perfectly competitive firm is done when price equals average cost and the firm makes normal profits.
- 1.10** Most of the candidates had correctly recognized that “setting limits for loan guarantees” as a qualitative instrument of monetary policy of the Central Bank of Sri Lanka.
- 1.11** Found correct answers in most of the answer scripts identifying a “monopolistic firm acts as a price maker in the market”.
- 1.12** Some of the candidates had incorrectly answered this question identifying that “decreasing returns to scale” takes place when the “proportionate increase in input is lower than proportionate increase in output”.
- 1.13** Most of the candidates had correctly answered this question deciding the statement “Imposition of a unit tax on producers by the government would result to shift the supply curve to the right” as a FALSE statement.
- 1.14** Most of the candidates had correctly answered this question deciding the statement “All the factor inputs used in the production are variables in the long run.” as a FALSE statement.
- 1.15** Explaining what is “Economic Growth” has been satisfactorily done by many candidates. However, some of the candidates’ answers were not complete answers as expected.
- 1.16** Identification of characteristics of a monopolistic competitive market, by many candidates are acceptable, yet could assume some have not properly read the question and answered by identifying the features of monopoly.
- 1.17** Answering to this question, accepting deposits and lending are the two activities stated as functions of a commercial bank by many candidates.
- 1.18** Explaining the “Law of Supply”, although many candidates had answered successfully, defining the law of supply as the positive relationship between the price of the commodity under consideration and the quantity supplied while other factors other than price are remained constant in determining supply, some candidates have not stated that other factors other than price are constant.

1.19 Stating the determinants of price elasticity of supply, many candidates had answered successfully, though some of the answers found written incorrectly.

1.20 In identifying the qualitative changes that occur when there is economic development, many candidates have stated; Reduction in unemployment, improvement in standard of living, fair/equitable distribution of income etc. However, there were some inappropriate answers referring to quantitative changes like an increase in production as a qualitative change that occurs during an economic development.

Section B

This section was with four (04) compulsory questions carrying 10 marks for each question.

Question No. 02

- (a)** Stating four (04) factors of production correctly, most of the candidates could get the full marks successfully to this part of the question.
- (b)** Candidates could obtain the full marks allocated by identifying the instances such as; in the case of non-economic goods, when there are no alternative uses of the resources, when the idle resources are available, where the opportunity cost becomes zero.
- (c)** Many candidates could score 03 marks stating three basic economic problems in an economy. However, failing to explain them as expected were unable to score three marks as allocated.

Question No. 03

- (a)** By correctly calculating the market equilibrium price and quantity, a majority of the candidates had secured the total 03 marks allotted for this section. There were several candidates who did not reach the final answer due to calculation errors while solving the equations.
- (b)**
 - (i)** There were considerable number of candidates who had calculated the Average Cost (AV) and Marginal Cost (MC) accurately.
 - (ii)** In this answer many candidates have failed to clearly present the interrelationship between total product, average product and marginal product. Although some candidates have presented the interrelationship between them with correct diagrams, some have failed to explain the relationship between them correctly. Candidates should gain more knowledge about this theory.

Question No. 04

- (a)** Answering this question, most of the candidates had correctly presented the factors that affect the “demand for money”. However, some candidates lost marks by misunderstanding why the demand for money arose or the causes of liquidity by giving answers citing motives such as transactions, precaution and speculation as the main macroeconomic variables affecting the demand for money.

- (b) It was observed that majority of the candidates do not have proper understanding of the positive relationship between price level and interest rate. Therefore, many have mentioned both the inverse and positive relationship as the relationship between the price level and the interest rate. It feels that candidates need to be explained and given sufficient knowledge to identify the correct relationship between price level and interest rate.
- (c) "Causes of inflation" were given as demand-pull inflation and cost-push inflation, but some candidates failed to explain them as expected and have not got the full marks.

Question No. 05

- (a) Many candidates' knowledge of the "effects of trade barriers implemented by the Government of Sri Lanka" appears to be insufficient. The knowledge of the candidates should be improved on this and even the explanations given were very little.
- (b) Some candidates have answered without understanding the correct meaning of what "depreciation" means. Candidates who understood the concepts correctly have answered correctly and managed to score total marks.
- (c) Most of the candidates had correctly calculated the comparative advantage of producing each product separately for each country and based on the lowest opportunity cost, had correctly determined which product to be produced by each country and obtained a total mark as allocated.

But some candidates have neglected to select the correct data while calculating the opportunity cost and have reached wrong conclusions based on the wrong answer. This suggests that some candidates have failed to calculate comparative advantage and conclude that the country with the lowest opportunity cost should produce the product.

Section C

Question No. 06

- (A) (a) Many candidates had successfully identified and mentioned the shortcomings and limitations of the National Income Accounts.
 - (b) Explaining what is meant by the "Purchasers' price", candidates who are well versed in the subject matter have answered the question well and some have given answers based on the literary meaning of the words. These answers were not worth marking.
- (B) (a) Many candidates had correctly calculated Gross Domestic Expenditure (GDE) at market price.
 - (b) Most of the candidates had calculated the GDP correctly by adding the exports of goods and services to the gross domestic expenditure, subtracting the imports and adjusting the net exports to the gross domestic expenditure. Few had wrongly added imports and reduced exports. A few other candidates had subtracted the net exports instead of adding it.

- (c) Those who had answered correctly to **parts (a) and (b)** were able to comfortably answer the **part (c)** as well.

That is, by adjusting Foreign Net Primary Income to GDP at market prices, the gross national income at market prices is obtained. Although the foreign net income is negative in practice, the foreign net primary income given in this exercise is positive but the applicants have wrongly subtracted it. Hence, candidates should learn and understand how to adjust it correctly.

- (C) Candidates had correctly stated the implications of recent government taxes on individuals and businesses in Sri Lanka. But many have failed to clearly explain how they affect the two sectors respectively.

- - -

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 do 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 relate to this subject.
- (5) Develop the skills needed to correctly identify the basic theoretical concepts in answering.
- (6) Handwriting should be legible and the numbers of questions should be correctly and clearly written.
- (7) Follow the instructions given in the question paper.
- (8) Perusal of past question papers and suggested answers would help sharpening knowledge and experience.
- (9) By getting a correct understanding of economics concepts, there should be the ability to compare the difference between each concept.
- (10) Proper management of time is important.
- (11) Re-check the question numbers before handing over the answer scripts.
- (12) Sit for the exam with confidence after prior preparation and utmost expectation of getting through the exam.

- * * * -