

**EXAMINER'S REPORT****AA1 EXAMINATION - JANUARY 2020****(AA13) ECONOMICS FOR BUSINESS AND ACCOUNTING**

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It was noted that a majority of candidates had provided satisfactory answers to this question paper. However, on an overall consideration it was clear that certain shortcomings were there in the answers provided by many candidates. The observations of Examiners who evaluated are shown below:

**Part - A****Question No. 01** – 40 Marks

Considering on in overall basis, this question seems to have been set for 40% of the total marks covering major areas of the syllabus. It has also been set to match the weightage of the syllabus based on basic scientific economic theories and concepts. This question has been prepared under a simple format. Question No. 1.1 to 1.10 to select the correct answer out of given answers, question numbers 1.11 to 1.15 to indicate whether a given statement is True or False and question numbers 1.16 to 1.20 to fill the blank with the correct answer after selecting that out of the given answers.

Majority of the candidates had provided correct answers to this question and obtained high marks. However, shortcomings were observed in the answers of some candidates.

**A few weaknesses generally observed in the answers provided by candidates and comments are shown below:**

- 1.3** This question was about cross elasticity of demand. Considerable number of candidates had failed to submit correct answer.
- 1.6** This question was set to test the knowledge on financial institutions. Considerable number of candidates had failed to answer to this question due to lack of knowledge on financial institution system.
- 1.8** This question tested the knowledge on technical word called for amount of goods and services which could be purchased in a foreign market with a unit of a domestic currency. Considerable number of candidates had failed to submit correct answers due to lack of theoretical knowledge and less reference of study texts and books related to economics.
- 1.9** This question tested the general knowledge on economics. This question expected per capita income in Sri Lanka for the year 2018 according to the annual report of the Central Bank of Sri Lanka. Majority of the candidates had failed to submit correct answer due to not referring the books / articles related to economics in Sri Lanka.

In question **1.11 – 1.15**, the correct answer was to be arrived at recording the truth or falsehood of the given statements. Out of those 5 questions incorrect answers had been provided to questions **1.11** and **1.15**. Question No. **1.11** tested the knowledge on circular flow of income. Question No. **1.15** tested the knowledge on marginal cost curve and average cost curve. Considerable number of candidates had not submitted correct answer due to lack of theoretical knowledge on above parts.

In question **1.16 - 1.20** the correct answers had to be selected out of the 2 answers given. A large number of incorrect answers were found to questions **1.17** and **1.18**. It was revealed that candidates had no proper understanding on the following subject matters:

- Money supply.
- Monopolistic competition.

### **Part B**

#### **Question No. 02** – 10 Marks

- (a) (i) This question tested the knowledge on scarcity concept which is the basic concept of economics. Majority of candidates had submitted correct answer and obtained full marks.
- (ii) This part expected to explain the difference between choice and opportunity cost. It was written that choice is a demand of goods and services required for themselves. However, some candidates had not mentioned that they have to give up something when they select one. So, it was noted that answers were given without having correct understanding on opportunity cost.
- (b) This question set to test the knowledge on economic systems. Some candidates had submitted incorrect answers like equal of demand and supply, rapidly developing of economics, etc. misunderstanding the fact as characteristics of socialist economic system. Some candidates had written same point in different manner and scored low marks. However, there were lot of candidates who had submitted correct answer.

#### **Question No. 03** – 10 Marks

- (a) (i) This question tested the knowledge on demand and supply. Although the majority of candidates had computed the price correctly, incorrectly computed the quantity. So it was noted that some candidates had not adequate knowledge on solve the mathematical issues. However, few candidates had computed price and quantity correctly.

- (ii) This question set to test the knowledge on equilibrium price and quantity. Considerable number of candidates had written in incorrect manner that the demand curve is to be shifted / increase as the result of increase in income of consumers.
- (b) It was required to explain by the question how profit is maximized in the short run by a perfect competitive firm. The knowledge on different markets were too low and it was evident due to failing to draw a graph and mark correctly by the majority of candidates and as a result of it they did not obtain full marks allocated for this part.

**Question No. 04** – 10 Marks

- (a) It was required to explain the difference between price ceilings and price floors. There were lot of candidates who had not clear understanding on this concept. Majority of candidates had written interchangeably the meaning of word. It was incorrectly defined the price ceiling as the government imposes the price which is above the equilibrium price and price floors mean the price to protect the consumers imposed below the equilibrium price. Therefore, it was noted that majority of candidates had not adequate theoretical knowledge on economics.
- (b) Most candidates had obtained full marks giving the correct answer for the question given to test the government budget. However, some candidates had not been able to obtain full marks due to submitting the answer without having understanding on budget deficit.

**Question No. 05** – 10 Marks

- (a) (i) The question given to test the knowledge on money and some candidates had written that money is considered as store of value, medium of exchange and money is act as a common unit of account, etc. as functions of money. There were candidates who had written characteristics of money instead of functions of money.
- (ii) This part tested the knowledge on relationship between the general price level and value of money. It was mentioned that general price level is decided based on value of money and the general price level is changed based on change in value of money. Some candidates had mentioned that general price level is changing in different time periods. It was understood by the answers that the candidates had not proper understanding on relationship between general price level and value of money.

- (b) (i)** It was noted that considerable number of candidates had not correct understanding on concept of protectionism. It was evident due to the answer given like “protectionism is maintain the value of rupee”. Further few candidates had answered as maintain the value of rupee as per the US Dollar. Some candidates had explained as component of insurance. It was understood by this that there is a lack of knowledge on technical terminology of economics.
- (ii)** Considerable number of candidates had written irrelevant points like there is no large number of rules and regulations, it is valid for any time period, etc. as advantages of protectionism.

### Part C

#### **Question No. 06** – 20 Marks

- (A) (a)** The knowledge on qualitative controls of the monetary policy of the Central Bank of Sri Lanka was expected as an answer. The false answers as helping the importers and advice the investors, etc. were presented by some candidates. Due to the lack of reading the books related to economics, majority of candidates had not successfully answer the question.
- (b)** Only few candidates had correctly written the meaning of financial intermediation. There were candidates who had submitted wrong answers explaining the meaning of financial intermediation. They have mentioned financial intermediation as to advice the individual / group on investment.
- (B) (a)** Majority of candidates had submitted answers without having understanding which was given to test the knowledge on national account concept. If the marks were obtained by some candidates adding the given values, it was not come to final answers of gross value added (GVA) at basic price.
- (b)** Majority of candidates had not calculated Gross Domestic Product (GDP) at market price. Only some candidates had provided correct answer and obtained full marks. Some candidates had added subsidies on products and deducted taxes on product when calculating Gross Domestic Product (GDP) at market price. It was noted that some candidates did not have adequate theoretical knowledge on this area.
- (C)** The question required to explain the difference between economic development and sustainable development. Though the majority of candidates had defined economic development, it was not able to build the complete answer due to lack of knowledge on sustainable development and as a result of they were not able to obtain full marks.

**Common facts to be considered in order to improve the competency level of the exam candidates:**

- (1)** Study the syllabus completely and thoroughly and paying high concentration to new subject matters.
- (2)** Should not write unnecessary explanations/details when it is expected to write certain and direct answers after reading the question with due care.
- (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)** Hand writing should be legible and question numbers should be placed accurately and accordingly.
- (7)** Adhere to the instructions given in the question paper.
- (8)** Improve your knowledge by referring past papers and answers.
- (9)** Should be able to structure the differences between the Economic concepts relatively by correct understanding of these concepts.
- (10)** Proper time management.
- (11)** Sit for the exam with prior preparation and an utmost expectation of getting through the exam.

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