Examiner's Report

AA1 Examination - July 2017

(AA13) ECONOMICS FOR BUSINESS & ACCOUNTING

Majority of candidates had answered the Economics for Business and Accounting question paper satisfactorily. However, in overall it was observed some deficiencies in answers given by most of the candidates for some questions. In this regard, the observations made by Marking Examiners are as follows:

SECTION A

Objective Test Questions (OTQs)

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

40% of the total marks was allocated to this question which covers a wide portion of the syllabus. This has been prepared properly keeping with the relevant weighting of the syllabus based on basic economic theories and assumptions. It was required to select the correct choice for question number **1.1** to **1.10**, to write whether particular statement is *True* of *False* for question number **1.11** to **1.15**, to select the correct answer out of the two answers given for question number **1.16** to **1.20**. It was observed that most of the candidates had answered satisfactorily and had scored reasonable marks. However, few deficiencies were found for some of the questions of this part.

The common deficiencies/errors found in answers were as follows;

1.1 The objective of the question was to measure the knowledge and awareness on the concept of "Micro-economics". Majority of the candidates had correctly answered the question.

1.2 This was to measure the awareness on underlining assumptions of one of the basic economic concept of "Production Possibility Curve". It was observed that most of the answers were correct.

1.3 Measuring the awareness level on concepts of producer surplus and consumer surplus was the objectives of the question. Even though the majority of the candidates had answered correctly, there were wrong answerers as well. Lack of conceptual awareness and weakness on geometric calculations were among the major reasons for unsuccessful answers.

1.4 This was one of the simple questions for measuring knowledge level of utility concept while most of the candidates had faced successfully.

1.5 The theoretical knowledge on cost concept had been tested. Correct answers as well as number of incorrect answers were found due to lack of conceptual knowledge.

1.6 The question was set to measure the knowledge of maximum and minimum price concept. The candidates had selected wrong answers due to inadequate knowledge on those concepts.

1.7 The main objective of the question was to check the calculation skill of the rate of inflation. Most of the answers were incorrect. It was observed that lack of mathematical skill was the major reason for this.

1.8 This was to measure the practical knowledge of the candidates. Most of the answers were not successful mainly due to lack of usage of subject related correspondence such as Central Bank Reports, etc.

1.9 This was to check the basic knowledge on Balance of Payment. Majority answers were incorrect. Accordingly, the limited subject knowledge of candidates was noted.

1.10 Measuring the awareness on economic model was the objective of the question. Most of the answers were successful. However it is observed that some candidates had a confusion on the economic models.

1.11 - 1.15

It was required to identify whether the given statements are *True* or *False*. Overall, answering this question was successful. Out of all five questions, most of the candidates had made wrong selection for question number 1.12. That particular question was set to test the concept of elasticity and distribution of tax burden. The candidates had confused themselves when answering due to lack of understanding of the concept.

1.16 - 1.20

It was required to select the correct answer out of the given two answers. It was observed that most of the candidates had gone wrong in answering the question no. **1.16**. It was expected to check the theoretical knowledge and awareness on utility concept. Lack of knowledge among candidates was the main reason to have wrong answers for this question.

SECTION B

This part consisted of 4 questions and 10 marks for each question.

Question No. 02

(a) This question was set to measure the knowledge on basic economic concept of Resources with examples for Non-Economic Resources. There were large number of candidates who have obtained 3 marks for the correct answer of Non-Economic Resources. It was correctly stated the characteristics of Non-Economic Resources i.e. no ownership, no scarcity & no opportunity cost with relevant examples such as air and sunlight. Nevertheless, there were instances where most of the candidates have obtained marks only for the examples. Candidates were failed to write all the characteristics of Non-Economic Resources. Although this question was easy, some of the candidates had not understand the term of **non-economic** properly.

(b) Knowledge on the concept of Price Elasticity of Demand had been tested with elasticity calculation based on the given set of data. This was the question where most of the candidates had scored minimum marks. It was noted that this was due to the limited knowledge on calculation of elasticity of demand. However, candidates were successfully calculated the elasticity of demand when the price is reduced from Rs.10/- to Rs.9/-. Some candidates were failed to mention the equations. It was noted that they were unclear on calculation of elasticity of demand as -2.05 at the point B. Some candidates had mentioned only the equation without solving it. It was observed that most of the candidates had not referred to the self-study texts properly.

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(c) The knowledge and awareness on market structures had been tested in the question. Majority of candidates had correctly compared the differences among the market structures. The majority had sored full marks of 04 mentioning 04 differences among Perfect competition and the Monopolistic market successfully. Nevertheless, it seems that few candidates did not have clear understanding on the perfect competition. Some candidates had mixed-up the two concepts of Monopolistic and Monopolistic competition. The candidates would have earned more marks if they had properly study the different market structures.

However, the common mistake noted was mentioning the characteristics of a market instead of making relevant comparison. Further, majority of candidates had provided lengthy answers.

Question No. 03

(a) (i) It was expected whether the candidate is agree or disagree with the given statement. Most of the candidates had given the correct answer as "agreed". However, fewer number of candidates has mentioned that they disagree with the statement.

(ii) Many candidates had not answered this question correctly. It was noted that some candidates did not have relevant conceptual knowledge regarding the derived demand, which was highlighted by the lengthy answers provided.

(b) Only a few candidates had correctly answered the question on returns to scale. Even though most of the candidates had written proper classifications of returns to scale, most of them had not explained it correctly. Testing the knowledge on Production Theory was the main focus of the question. It was observed that overall awareness of candidates on short-term and long-term was not adequate.

Instead of the correct answer i.e. fixed, increasing and diminishing return to scale, some candidates had mentioned either large scale, medium scale and small scale or increasing and decreasing opportunity cost. Accordingly, it was observed that some candidates have not studied/referred relevant study materials on the concept of return to scale.

Question No. 04

(a) (i) Most of the candidates had answered correctly. However, deficiencies found in some answers are as follows:

- Instead of characteristics of money, uses of money have been listed.

- Characteristics of the face of a note of money have been given

  Eg : Signed by the Governor of Central Bank
  Inclusion of a silver line on the note

This reveals the inadequate knowledge and awareness level of candidates on the concept money. Similarly, some candidates had provided detailed wrong answers emphasizing special features such as the watermark, the silver line and approval of the Governor of the Central Bank and the Minister of Finance.

(ii) The demand for money had been correctly defined by very few candidates. Further, causes of creating a demand for money i.e. transactions / safety / speculation have also been mentioned by only a very limited number of candidates. There were considerable number of candidates who had misunderstood the demand for money as disposability of the money. It was observed that the level of knowledge and understanding of the candidates in this concept was minimal.

(b) The majority of the candidates had satisfactorily answered the question examining the three main functions of the Central Bank of Sri Lanka. Issuing money was one of the common answers. Among the answers of candidates, the following wrong answers could be seen due to the unawareness of the banking system.

- Providing loans to people
- Providing Bank overdraft facilities
- Maintaining accounts on behalf of people & providing advisory services.

Question No. 05

(a) Many candidates had successfully answered the question. Some candidates had compiled their answers using graphs. However, the main reason for the wrong answers was not distinguishing the maximum price and minimum price properly.

Eg : Following are some of the examples of the instances where candidates had made mistakes:

- Even the question itself given that the maximum price is fixed below the equilibrium, there were instances where candidates have given that the maximum price is fixed above the equilibrium level.
- Has stated that this is beneficial to producer.
- Has stated that commodity price is increased.

(b) It is observed that most of the candidates had not given full answers for this question. It clearly indicates that the candidates had not properly understood the concept of protectionism. Therefore, there were much more irrelevant answers. Such as;

Eg :

- Foreign currency flows to the country.
- Enhancement of international cooperation.
- Promotion of exports.

Candidates have obtained very poor marks for this question.

SECTION C

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

(A) **(a)** Majority of the candidates were able to name the three main economic systems correctly as,

(i)   Market Economy,

(ii)   Planned Economy, and,

(iii)   Mixed Economy.

However, few candidates had mentioned the following wrong answers as well.

(i)   Traditional Economic System

(ii)   Macroeconomic System

(iii)   Open Economy System

(iv)   Feudal Economic System

(b) Only a handful of candidates had done this question correctly. It is vital to have a clear understanding on these concepts by all the students who are studying Economics. Many candidates had not fully understood the question, as a result they could not obtain the full marks, even though they knew the correct answer.

Following are some of the common weaknesses noted:

(i)   Not presenting Basic Economic Problems properly.

(ii)   Instead of describing the methodology of solving basic economic problems by a particular economic system, lengthy explanations had been given to solve those problems by each of the economic systems which lead to consume more time.

(iii)   Without explaining the mechanism to resolve economic problems, candidates have described problem solving methods by common economic systems.

(iv)   Further, misinterpretation of the ways in which economic problems are resolved.

(v)   Has identified only the three fundamental economic problems.

(B) There were very few candidates who had obtained full marks for this question which was to test the knowledge on "National Accounting".

(a) Many candidates had given the right answer for this section. However, some candidates lost full marks due to calculation errors (summation).

(b) The main reason for poor performance of the candidates was not having adequate skills to calculate net indirect tax. Further, following mistakes have also been identified,

(i)   Summation of subsidies and indirect taxes together.

(ii)   Instead of indirect tax-subsidy, calculations have done mentioning subsidy – indirect tax.

(iii)   Added only indirect tax or subsidy to the total factor cost

(C) It was found that most of the candidates had not calculated the Gross Domestic Product correctly. Some candidates had incorrectly written the GDP equation. Even some candidates had not known the equation. Further, the calculation errors were also common. However, only a handful of candidates had answered correctly.

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Common facts to consider 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 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 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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