

## Examiner's Report

### AA1 EXAMINATION - JULY 2019

#### (AA13) ECONOMICS FOR BUSINESS & ACCOUNTING

*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 the answers are shown below:*

#### SECTION A

Objective Test Questions (OTQs)

##### **Question No. 01**

**(Compulsory Question)**

Considered on an 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 Nos. **1.11** to **1.15** to indicate whether a given statement is True or False and question Nos. **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 mistakes / weaknesses generally observed in the answers provided by candidates and comments are shown below:

- 1.1** This question tested the knowledge about economic resources for production of goods and services to fulfill the unlimited needs of any society. Most candidates had provided the correct answer and earned marks. The payment for the use of land was stated as rent.
- 1.2** Most candidates had written the correct answer to this question which required stating a determinant of demand.
- 1.3** This question tested the knowledge on understanding of market structure. The correct answers of “there are no barriers to entry” which is not a characteristic of oligopoly had been written by most of the candidates.
- 1.4** Most candidates had not scored marks for this question due to writing of incorrect answers which tested the knowledge of the cost concept. Incorrect answers had been written apparently due to lack of knowledge about the cost concept.
- 1.5** Most of the candidates had not earned marks for this question due to their failure to understand the short-run of a firm.

- 1.6** Most candidates had not been able to write the correct answers to this question which was set to test the practical knowledge due to not perusing reports allied with the subject, such as Central Bank reports.
- 1.7** This was a question set to test the knowledge of monetary policy of the Central Bank. Most candidates could not score marks by lacking bank rate policy as qualification control by mistake.
- 1.8** Most candidates had earned marks for this question, giving answer No. (2), Bank rate policy which is the correct one for not a function of the Central Bank.,
- 1.9** This question had been set to test the knowledge of relationship between different sections of the economic system implemented through an example of leakage from national flow of income. The correct answer of an example “imports” had been provided only by a limited number of candidates. Majority of the candidates could not get marks.
- 1.10** Majority of the candidates was unable to write the correct answer of “market equilibrium” to this question. This was set to test the knowledge of macro-economic variables.

In questions **1.11** to **1.15**, the correct answer was to be arrived at by recording the truth or falsehood of the given statements. Out of those 5 questions, most number of incorrect answers had been provided to questions **1.11** and **1.13**. The knowledge on understanding of functions of money had been tested by those. Correct answers had not been provided to question **1.13** due to lack of understanding of the concept of income elasticity of demand.

In questions **1.16** to **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**, **1.18**, **1.19** and **1.20**.

It was revealed that candidates had no proper understanding of the following matters to the subject matter:

- Production cycle.
- How the sale of Treasury Bills / Bonds by the Central Bank affect the money supply.
- Government capital expenditure and critical factors affecting the structural changes of a country.

## **SECTION B**

4 compulsory questions each carrying 10 marks.

### **Question No. 02**

**(Compulsory Question)**

- (a)** This question tested the knowledge on main economic resources in the basic concept of economics and most of the candidates had provided correct answers and earned marks. But, there were many candidates who did not explain matters required by **part (ii)**. Some candidates had identified land as business or buildings and most of them had not correctly answered about the benefits receiving from those activities. The answers did not reveal that human labour is required to carry on business and candidates had no idea about benefits paid for those services.

- (b) Majority of candidates were difficult to understand this question. They had written about features of the market economy system and planned economy system. How basic economic problems were solved by those systems had been written correctly only by a very few candidates.

Majority of candidates had not written how basic economic problems were solved in capitalise and planned economics. Certain candidates had written only about economic problems.

### **Question No. 03**

**(Compulsory Question)**

- (a) Although majority of the candidates had provided correct answers, lack of knowledge on geometry were caused them to solve the problems.
- (b) (i) The answer provided by some candidates included the reason for slope down the demand curve as not updating the produced goods. Further it was stated that as a result of it, the demand is decreased. Most candidates had not answered about income effect and substitute effect.
- (ii) Majority of the candidates had not drawn graphs to explain the concepts of consumer's surplus and producer's surplus.

### **Question No. 04**

**(Compulsory Question)**

- (a) (i) In stating two sources of financing the budget deficit, most candidates had provided answers without understanding Treasury Bills, Securities and Taxes.
- (ii) Only a very few candidates had written two advantages of public enterprises. The answers written by some candidates included continuity of existence and assistance received by the government.
- (b) It became clear that majority of the candidates had a proper understanding of 3 motives for demand for money due to earning of high marks for this question. Some candidates could not earn full marks because they failed to explain the motives, although they had named them.

### **Question No. 05**

**(Compulsory Question)**

- (a) (i) There were many candidates who obtained full marks providing correct answers relating to absolute advantage. A limited number of candidates could not, however, obtain full marks as a result of mixing up onion and garlic.
- (ii) It appeared that candidates could not understand the table given to provide correct answers relating to comparative advantage. It should be stressed that the knowledge on this aspect was very poor. The 4 marks that should have been obtained were not earned because calculation had not been done correctly.
- (b) Majority of the candidates had written advantages of international trade and earned full marks.

## **SECTION C**

### **Question No. 06**

#### **(Compulsory Question)**

- (A) (a) Almost all the candidates were able to write answers explaining the consequences of the terrorist attack satisfactorily and earn full marks.
- (b) Many candidates had written about collection of taxes instead of purposes of indirect taxes. They had written that tax increases taxes caused inconvenience to the public. It was very clear from the answers that candidates had not been able to understand this question.
- (B) Many candidates had earned full marks to this question which was set to test the understanding of preparation of national accounts. Some candidates had not been able to obtain marks due to mathematical errors. It has to be mentioned that some candidates had no understanding to manage items such as taxes on products and subsidies. They had made mistakes such as adding up both subsidies and taxes and adjusting incorrectly subsidies instead of indirect taxes.
- (C) In writing about the importance of preparing national accounts, a limited number of candidates only had earned full marks providing correct answers. A limited number of candidates had written answers not relevant to the question as to what way the money should be invested within the country and for what areas and the required provision for such investment, etc.

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#### **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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