

EXAMINER'S REPORT**LEVEL I EXAMINATION - JULY 2022****(103) ECONOMICS**

We could observe that answering to the Economics paper by most of the candidates is quantitatively at an acceptable level. However when it is taken as a whole it was evident that there are some questions which had been answered not up to the expected standard by the considerable number of candidates. Hence, following are some of the main observations underlined by the examiners during the scrutinizing:

Section A**Question No. 01**

This section has been complied with a wide scope of the overall syllabus of Economics. This section has been prepared based on basic economic theories and concepts.

Questions **1.1** to **1.10**, required selection of correct answers out of the given options. Questions **1.11** and **1.12** required selection of the correct answer out of the 2 answers given. Questions **1.13** to **1.15** required to state whether the given statements are "True" or "False". **1.15** to **1.20** required short answers written in the answer booklet.

- 1.1** To test the knowledge on non-economic resources and economic resources questioned; most of the candidates had correctly answered the fourth answer "*Sunlight*" as the non-economic resource and scored two marks.
- 1.2** To measure the knowledge of consumer behavior and understanding of the market, although most of the candidates mentioned the first answer "*increase in the price of substitution goods*" as the correct answer, hence some candidates inexplicably marked the fourth answer "*increase in the price of complementary goods*".
- 1.3** This question is similar to the above question. Candidates often provided wrong answer to this question. The correct answer is number one, "*perfectly inelastic*".
- 1.4** This question is designed to test the knowledge about production process. Most of the candidates had written the second answer which was the correct answer and got the marks.
- 1.5** Applicants who did not read the Central Bank report, magazines and other books to update the practical knowledge have written wrong answers and did not receive marks, while the candidates who referred the Central Bank report stated that Sri Lanka's per capita income in 2021 was US \$ 3,815 and had obtained marks.

- 1.6** This question was given to test the knowledge about the production functions of a manufacturing company. In this question, most of the candidates provided number 2 as the correct answer and got marks.
- 1.7** This question was given to test the understanding of the characteristics of different markets, most candidates provided number 3 as the correct answer, but some candidates mistakenly referred to answer 01, "*free entry and free exit*".
- 1.8** This question was given to test the knowledge about the concept of microeconomics and the correct answer to this question is number 03. Many candidates provided wrong answers and did not get marks.
- 1.9** Many candidates gave the wrong answer and did not get marks for this question, which was given to test the understanding of the money supply.
- 1.10** Candidates provided incorrect answers to this question, which was given to test the knowledge about the concept of utility. It seems that the candidate's knowledge about the utility is lacking. There were only a handful of candidates who correctly mentioned the fourth answer.
- 1.11** Many candidates got the marks by providing the correct answer to this question is given to measure the understanding of different economic systems under business economics.
- 1.12** This question is given to measure the understanding of the production. Many candidates have provided the marginal production as the correct answer and obtained the marks.
- 1.13** It seems that some candidates did not read the books and prepare to write correct answers to this question, which was given to test the knowledge on consumer behavior and the market. Although the given statement is false, some candidates have forgotten to write true or false.
- 1.14** Although the statement given is correct, many candidates have provided incorrect answers. There seems to be less knowledgeable about the short-run production process.
- 1.15** This question which is intended to test the knowledge on factors of production, some candidates have provided correct answers and some candidates' answers were wrongly provided that capital will get an interest and gain income from the capital.
- 1.16** Many candidates who have provided correct answers to the deficit budget of the government. But, some applicants provided wrong answers without proper understanding.
- 1.17** Many candidates provided correct answers to imposing price controls by the government. However, some candidates have provided wrong answers such as controlling the monopoly and controlling the demand of the producers.
- 1.18** This question was given to measure the understanding of the motives for demand for money, some candidates wrote wrong answers as ease of carrying liquidity and the correct answers were given as transaction motive, precautionary motive and speculative motive.

1.19 This question was given to measure the knowledge about the production function of a business organization and handful of candidates were answered with correct understanding. Some applicants did not write any answer.

1.20 As items in the profile of human development, some candidates wrote correct answers such as income, education and health conditions whereas some candidates did not provide any answer.

Section B

Question No. 02

- (a) Most of the candidates answered this question regarding the concept of opportunity cost correctly.
- (b) Many candidates got the mark by providing correct answers regarding solving basic economic problems in the mixed economic system.
- (c) Most of the candidates had correctly provided the characteristics of a monopoly market.

Question No. 03

- (a) Many candidates correctly calculated the equilibrium price and quantity according to the demand and supply equation and got the marks, while the candidates with less algebraic proficiency were unable to do so because they incorrectly substituted this equation. Although some candidates correctly calculated the equilibrium price and quantity, they were not aware of the calculation of consumer surplus.
- (b) Although some candidates have provided very clear and direct answers to the consequences of imposing a minimum price, some applicants have written the economic consequences of the maximum price to the minimum price.

Question No. 04

- (a) Although most of the candidates have successfully answered this question, which is intended to test the knowledge on the price level, inflation and price index. Some candidates have provided completely irrelevant answers.
- (b) This question asked about the qualitative controls of the monetary policy of the Central Bank of Sri Lanka and answers have not been written successfully. There was inaccurate information presented regarding the government's debt management plans and monetary policies.
- (c) The specific relevant answer has not been submitted regarding the measures taken by the Central Bank of Sri Lanka to tighten its monetary policy to overcome the current economic crisis. Many candidates have not written about the bank rate policy, open market operations and reserve rate policy. As a whole, it was observed that this sub-question was a part where the majority of the candidates failed to earn marks.

Question No. 05

- (a) This question is a very important question which was timely presented to test the understanding of international trade. Some candidates have failed to score marks for this question, which tests the understanding of the current economic situation of the country.

Some candidates have failed to do the calculation correctly and have written answers confusing the absolute advantage theory and comparative advantage theory. Some candidates had done the calculation elsewhere and only wrote the answer. Because of this, some candidates lost the opportunity to get full marks.

- (b) As reasons for the recent devaluation of the Sri Lankan Rupee against the US Dollar, it was unable to pay off the foreign debt due to the reduction in dollar reserves in the country. It can be stated in the written answers that the candidates have an understanding of the situation that occur due to the excessive money stamping in Sri Lanka.

Most of the candidates were able to score full marks for this question.

- (c) Many candidates had successfully answered this question on the advantages of international trade and obtained full marks. This 5th question is an easy question for many candidates to earn full marks.

Section C

Question No. 06

- (A) (a) This question is given to test the concepts related to National Accounts and is a very easy question for the candidates who have answered the previous question papers. Every year knowledge and understanding is measured by asking similar type of questions.

Each candidate managed to score 6 marks out of a total of 10 marks. Some candidates have confused the other taxes less subsidies on production with other net taxes on production. Due to calculation errors and addition errors some candidates failed to score marks.

- (b) Many candidates have provided successful answers to productive economic activities which are not included in gross domestic production.

E.g.- Unpaid domestic services without taking any fees.

Natural resources obtained at free cost (Land, Water, Air)

- (B) Many candidates had correctly written the difference between the fair distribution of income and full employment. Some candidates mistakenly believed that full employment meant that all job seekers were employed in a country

- (C) Some candidates correctly answered the factors such as the increase in resources, the increase in the productivity of resources, macroeconomic stability, etc. as the factors that determine the economic growth of a country and some applicants had written something irrelevant to the question. Overall, most of the candidates scored marks for this question.

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.

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