

**EXAMINER'S REPORT****LEVEL I EXAMINATION - JANUARY 2025****(103) ECONOMICS**

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It was observed that most of the candidates have answered the Economics paper at quantitatively acceptable level. However, 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 evaluation:

**Section A****Question No. 01**

This is a compulsory question which contains objective test questions.

Questions **1.1** to **1.10** comprised multiple choice questions. The majority of candidates answered these questions successfully. It was observed that some candidates did not have proper understanding of the financial account of the balance of payments tested in question **1.10**.

Questions **1.11** and **1.12**, required selection of correct answer from the answers given to question. Some candidates were unable to identifying the correct answer as "Flexible Exchange Rate" to the question **1.12** tested on the exchange rates.

For questions **1.13** and **1.14** it was required to state whether the given statements are "True" or "False" and most of the candidates provided correct answers.

Questions **1.15** to **1.20** required to write short answers:

- 1.15** Most of the candidates correctly identified the three basic economic problems; What to produce? how to produce? and For whom to produce? and answered correctly. However, some candidates incorrectly considered the concept of "scarcity" with the problem of choice, rather than understanding it as the foundation of economic decision-making.
- 1.16** This question asked to state two factors that shift Supply Curve to right. While many candidates correctly identified two factors that shift the supply curve to the right, some candidates have stated factors that shift the demand curve to the right.
- 1.17** The question required to state the difference between short-run and long-run production. Many candidates have provided incorrect answers for this question.
- 1.18** This question required to list down two (2) characteristics of a perfectly competitive firm. A majority of candidates answered correctly, identifying characteristics such as production of identical goods, firms are price takers, free entry and exit, perfect information, zero economic profit in the long run, large number buyers and sellers in the market.

- 1.19** Very few candidates successfully answered this question which was asked to test their knowledge of the Balance of Payment Statement. Some confused the transactions / items recorded under the Current and Capital Accounts. Those who answered correctly noted that the Current Account includes transactions such as imports and exports of goods and services, primary and secondary income payment flows, trade and services.
- 1.20** Many candidates were unable to clearly explain “economic development”. Most of the candidates explained about “economic growth” which is incorrect rather than explaining about economic development.

### **Section B**

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

#### **Question No. 02**

- (a) Most of the candidates had accurately stated the characteristics of a market economic system.
- (b) Many candidates were unable to calculate the equilibrium price and quantity by constructing a demand and supply schedule based on the given equations. Although many candidates accurately calculated the equilibrium by solving the equations, they were unable to earn full marks failing to follow the instructions".
- (c) Most of the candidates had calculated consumer surplus correctly. However, it was observed that some candidates have not correctly written formula and also have made mistakes in calculations.

#### **Question No. 03**

- (a) Although a considerable number of candidates attempted to draw a graph illustrating economic effects of an imposing a maximum price control, most of them have failed to explain the economic consequences. When explaining the graph increased demand and reduced supply was only noted as consequences by the candidates. As a result, even though this **part (a)** carried 6 marks, most of the candidates failed to earn full marks.
- (b) It was observed that most of the candidates theoretical knowledge and understanding about accounting profit and economic profit was very low. However, a considerable number candidates had correctly calculated. Some candidates have mixed data of two underlying concepts and calculated the profits.

#### Question No. 04

- (a) Most of the candidates had answered this question successfully. However, some demonstrated confusion between the concepts of narrow money supply and broad money supply. As a result, components of narrow money were incorrectly classified under broad money, and vice versa. It was also observed that some candidates have less knowledge about the broad money supply.
- (b)
  - (i) Only an average number of candidates had successfully provided definition for electronic money. Answers of many candidates included debit and credit cards issued by banks.
  - (ii) The majority of candidates provided correct answers to the question asked to state reasons for the use of electronic money. Many candidates have provided correct answers using their general knowledge.
- (c) The knowledge of the candidates about the quantitative monetary policy instruments used by the Central Bank of Sri Lanka appears to be limited. Some candidates have confused the quantitative and qualitative monetary instruments. Candidates who answered correctly earned full marks by stating instruments such as bank rate policy, rate policy and open market operations.

#### Question No. 05

- (a)
  - (i) Most of candidates have successfully answered this question about economic effects of inflation for a country. However, many responses were based on practical observations rather than answering based on the understanding of the underlying theoretical concepts. Some candidates also have provided definitions and causes of inflation instead of focusing on its consequences.
  - (ii) Many candidates performed well in this section, which required to state steps to reduce inflation. However, similar to the previous question, most answers were based on practical considerations reflecting the current economic context, rather than a solid grasp of theoretical knowledge.
- (b) Average number of candidates have correctly answered with their understanding to this question. Many candidates were unable to correctly calculate opportunity cost, indicating lack of knowledge and understanding of the concepts of relative and absolute cost advantages.

### Section C

#### Question No. 06

- (a) A considerable number of candidates correctly answered to the question which was required to explain two macroeconomic policies. However, some candidates have merely listed two policies without explanation or confused macroeconomic policies with objectives, which limited their ability to earn full marks.

- (b) Most of the candidates were able to perform the calculations related to National Income Accounting accurately. However, it was evident that most of the candidates did not have clear understanding of how to adjust figures involving other taxes and net taxes.
- (c) Only a few candidates provided an accurate explanation of the differences between direct and indirect taxes by understanding the relevant concepts. Although many candidates have included relevant examples, they have failed to give precise definitions.
- (d) Many candidates had answered correctly to the question. However, it was clear that many candidates did not have proper understanding about this concept.

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### **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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