

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

It was observed that most of the candidates have answered the Economics paper at quantitatively acceptable level. However, it was evident that there were some questions which had been answered not up to the expected standard by the considerable number of candidates.

The detailed observations of the examiners during the evaluation of answer scripts are presented below:

Section A

Question No. 01

This section was structured to cover a broad range of topics within the Economics syllabus. As a compulsory question, it included objective test questions based on fundamental economic theories and concepts.

Questions **1.1** to **1.10** comprised ten multiple-choice questions. Questions **1.11** to **1.12** required selection of the correct answers from the answers to given questions, while questions **1.13** to **1.14** were required to state whether each given statement was “**True**” or “**False**”. For questions **1.15** to **1.20**, candidates were expected to write their answers alongside the respective question numbers in the answer booklet.

Most of the candidates successfully secured marks in this section, while some candidates had shown weaknesses giving their answers. Thus common weaknesses observed can be underlined as follows:

- 1.1.** It was noted that many candidates correctly identified 'rent' as the reward to the factor of production 'land'.
- 1.2.** Regarding the question on “scarcity”, a fundamental concept in economics, many candidates correctly identified that scarcity results in choices.
- 1.3.** Some candidates did not successfully answer the question on elasticity of demand, with confusion noted between substitute and complementary goods in the context of cross-elasticity of demand.
- 1.4.** Candidates had not successfully answered to the question asked about main reason for government to interfere in the market economy.

- 1.5.** Many candidates were unable to correctly answer the question on the economic growth rate in Sri Lanka as per the 2024 Central Bank Report. This suggested that candidates need to pay closer attention to economic books, including the Central Bank Report.
- 1.6.** Candidates successfully answered the question that required identifying an incorrect statement about the characteristics of a market economic system.
- 1.7.** Most of the candidates provided answers to the question successfully about monopolistically competitive market.
- 1.8.** Some candidates failed to identify that at the minimum point of the average total cost curve, the marginal cost is equal to average total cost.
- 1.9.** Many candidates correctly answered the question on the expansion of quantity supplied as an upward movement along the supply curve.
- 1.10.** Confusion was observed among some candidates who answered the question regarding an incorrect statement about the short-run production process.
- 1.11.** It was clear that many candidates' did not have sufficient knowledge of cardinal and ordinal concepts within utility theory.
- 1.12.** Many candidates secured marks by correctly stating that constant technology is an assumption of the production possibility curve.
- 1.13.** Many candidates correctly identified that "the cost per unit of output in a given period is called marginal cost" is as a false statement.
- 1.14.** Many candidates correctly identified that a perfect competitive firm makes normal / zero economic profit in the long run.
- 1.15.** Candidates successfully answered the question designed to assess their understanding of the difference between "Macro Economics" and "Micro Economics".
- 1.16.** Only a limited number of candidates successfully answered the question given to test their knowledge of the causes of inflation, with clear understanding of demand-pull inflation and cost-push inflation. Some candidates have not provided any answers.
- 1.17.** Many candidates provided a brief and correct explanation of the law of supply.
- 1.18.** Many candidates successfully answered the question asked to list the reasons to shift the supply curve to left.
- 1.19.** Candidates' answers indicated a low level of understanding regarding the items included in the economic profile of sustainable development.
- 1.20.** Some of the candidates had correctly given a brief explanation about open market operations as a quantitative instrument of the monetary policy. Some candidates did not have a clear understanding about this concept.

Section B

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

Question No. 02

- (a) Many candidates have correctly stated the characteristics of non-economic goods and consequently scored full marks.
- (b) Many candidates successfully stated the characteristics of a planned economic system.
- (c) Many candidates listed three characteristics of a monopolist market. But, failed to obtain full marks because they had forgotten to explain the characteristics.

Question No. 03

- (a)
 - (i) Many candidates accurately calculated the market equilibrium price and quantity using the provided demand and supply equations and obtained marks.
 - (ii) A significant number of candidates were able to correctly calculate producer's surplus. However, some of the candidates calculated producer's surplus by considering axis going through the origin.
- (b) Most of the candidates successfully explained the economic consequences of imposing a minimum price and scored marks. Despite 4 marks being allocated for this part, some candidates failed to achieve the full marks.

Question No. 04

- (a) Many candidates successfully answered this question by correctly defining near money with an example.
- (b) Most candidates successfully answered this question by explaining the two motives affecting the demand for money.
- (c)
 - (i) The majority of candidates correctly calculated the narrow money supply using the given data.
 - (ii) Most of the candidates correctly calculated the broad money supply.

Question No. 05

- (a) The majority of candidates correctly explained the theory of absolute advantage but failed to provide a correct example.
- (b) The majority of candidates listed the disadvantages of international trade.
- (c) Many candidates failed to explain the consequences of devaluation of the Sri Lankan Rupee against US Dollar. Due to a lack of understanding of the concepts, many candidates failed to score full marks.

Section C

Question No. 06

- (a) It was observed that candidates' understanding of the difference between producer's price and purchaser's price was insufficient.
- (b) Most of the candidates correctly calculated (a) Gross Domestic Expenditure at market price, (b) Gross Domestic Product at market price, and (c) Gross National Income at market price. Some of the candidates had ignored the (+) or (-) value when adjusting the foreign net primary income, while majority of them reduce it.
- (c) Many candidates successfully stated three (03) importance's of preparing national accounts.
- (d) Candidates answered this question on explaining the reasons for the failure of a government. Only a few candidates have answered this question correctly.

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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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