

ECONOMICS

SUBJECT 9158

NOVEMBER 2011

PAPER 2

GENERAL COMMENTS

The performance was just average. The majority of the candidates scored between 13 – 20 marks out of 40. There is a marked improvement in answering question (d) of both questions because students wrote balanced answers.

Candidates performed well in question 1 than question 2 because candidates had enough and adequate information or knowledge on the topic (market structures). Candidates were not prepared for question 2. Teachers should put much emphasis on the canons of taxation when teaching taxation.

QUESTION 1

- (a)(i)** Question was well answered by the majority of the candidates. Only weak candidates were mentioning mixed or command economics i.e. they were confusing market systems and market structures. However the majority of the candidates managed to identify the market structure in question.
- (ii)** Response from candidates was satisfactory. Most candidates were able to identify the conditions which lead to the formation of monopolies. Some candidates were just listing without explaining the conditions and also some of the conditions were poorly explained.
- (b)(i)** The majority of the candidates failed to explain the impact of controlled prices on the cost of production in an inflationary environment. Most candidates concentrated on the effects of maximum and minimum prices that is the result in unemployment and shortages and there was no link to the question. Weak candidates simply reproduced the question.
- (ii)** A challenging question to most candidates. Candidates failed to draw the correct diagram on how huge production costs lead to firms scaling down. Candidates were required to draw the diagram on the effects of high costs on the supply curve. Candidates resorted to diagrams showing an increase in the ATC curve rather than shifting the supply curve and illustrating a fall in output.

- (c) Most candidates were able to identify the type of unemployment alluded in the text. However some failed to explain the cause of such type of unemployment. Weak candidates missed both the identification as well as the explanation. They referred to the type of unemployment as demand-deficiency instead of structural unemployment.
- (d) Candidates attempted to adopt the 2-sided approach and as a result, a lot of effort was devoted to the explanation of irrelevant staff. Most candidates managed to score 2 marks for Price less than Average Total Cost but the time period was missed by most candidates. Teachers should emphasise more on the shut down rule. Most candidates were not aware of the conditions under which a firm must close down. Also teachers must try to encourage candidates to be more familiar with the various costs incurred in the production process.

QUESTION 2

- (a)(i) Generally performance was below the required standard. The majority of the candidates failed to define Value Added Tax. They instead defined *adv alore* tax yet the question wanted VAT. Candidates are encouraged to be well versed with some of the terms which are used in our economy.
- (ii) Majority of the candidates were able to distinguish between direct and indirect taxes. Weak candidates repeated the words “direct” and indirect without explaining what a direct tax is?
- (b)(i) The question was well answered by the majority of the candidates. The calculations were easy and mathematically sound candidates managed to calculate. Only weak candidates failed to calculate.
- (ii) The majority of the candidates were able to identify the most expensive indirect tax. VAT.
- (c) Question was poorly done. Candidates could not identify the principles of taxation. They were confusing canons of taxation with the types. Instead of giving principles such as economy, certainty and convenient they were writing about regressive, progressive and proportional taxes. This shows the topic is not being covered in detail or probably the areas to be taught are not clear from the syllabus.
- (d) Response from candidates was satisfactory. Majority of the candidates were able to identify both the positive and negative effects of taxation in an economy. However, most candidates failed to explicitly show the causal-effect relationship of taxes. Also there was a confusion between customs duty and excise duty. These concepts must be taught. A few students gave one sided answers. The area of taxation should be widened in the syllabus.

Matters for the Subject Manager's Attention

- The belt system of marking is efficient because of specialization. Deviations were minimal due to the mastery of the marking guide. However problems arises when the team consists of both slow and fast markers. Slow markers may fail to cope up with the team and at the end of the day they panic resulting in making more mistakes.
- Supervision is very low as compared to the work to be done.
- Meals were very poor in both quality and quantity.

