ECONOMICS

SUBJECT 9158

DATE RESPONSE

JUNE 2011

PAPER 02

GENERAL COMMENTS

The paper was poorly tackled as evidenced by the performance of most candidates. Question 1 proved to be more challenging than Question 2. Some candidates were scoring high marks in Question 2, e.g. $^{17}/_{20}$ and very low marks in Question 1, e.g. $^{1}/_{20}$. Quite a good number of candidates showed lack of knowledge of they were somehow ill-prepared for the examination.

QUESTION 1

Question 1 was poorly done as compared to Question 2. They majority of the candidates failed to identify the types of market structures which were portrayed by the extract. Error of theory was displayed by most candidates (Theory of the firm).

1 (a) (i)   Most candidates failed to identify the feature in the extract suggesting that POSB was operating as a monopoly hence they failed also to give a reason to support their answer.

       (ii) Good candidates managed to pick out that POSB was now operating in either monopolistic competition or oligopoly. They were able to support their choice of such market structures, e.g. "non-price competition, product differentiation, price wars and the number of players in the market".

1 (b) (i)   Question was fairly easy and majority of the candidates were able to suggest two reasons why there was need for POSB to acquire CFX, only weak candidates repeated statements or reasons which were in the extract.

       (ii) Quite a challenging question for most of the candidates. Only good candidates were able to explain price determination in non-collusive markets, e.g. 'price-leadership, competitor based pricing, predatory pricing, etc".

1   (c)   A fairly easy question. Majority of the candidates were able to give two factors which may explain barriers to entry for firms such as POSB. There was also wrong interpretation of the question by some weak candidates.

     (d)   Most candidates were able to justify that firms under perfect competition are able to earn abnormal profits. Good candidates were able to analyse further the profits earned by the firm in the two time periods, i.e. the 'short-run and long-run'. However, wrong graphs were presented, e.g. drawing diagrams with downward sloping demand curves for firms under perfect competitions.

QUESTION 2

Most candidates fared well on the question as compared to Question 1. In-depth understanding of the topic (Economic Growth) was displayed by most of the candidates.

2   (a)   (i)   The question was clear and straight forward. The question required simple recall information. The majority of the candidates were able to define 'economic growth'.

            (ii)   Most of the candidates failed to pick up the trend portrayed by world GDP growth. Majority managed to give the first phase of the trend and failing to account for the last phase. There is still a tendency by candidates of giving raw data from the bar graph instead of describing what is happening to the data.

2   (b)   (i)   The majority of the candidates managed to identify the factors which caused a decline in Economic activities in the U.S. However, candidates should fully explain the factors in order for them to earn full marks.

            (ii)   Some candidates failed to explain the impact of low domestic demand on GDP growth. Good candidates highlighted that a fall in aggregate demand via the multiplier will result in a low GDP.

2   (c)   (i)   Quite a challenging question for most of the candidates. Candidates were able to explain the two concepts, i.e. 'Economic Growth' and 'Economic Development', but failed to link the two concepts. Only good candidates were able to explain the transmission mechanism between growth and development.

2   (d)   This was quite a popular question and the majority of the candidates were able to outline the positive or effects or benefits of economic growth. Most candidates were just listing the positive and negative effects rather than discussing them. Discussion, which is the highest cognitive skill of evaluating arguments, still lacks in most candidates.

RECOMMENDATIONS

It is recommended that teachers should teach all aspects of different market structures. Great emphasis must be placed on correct presentation of graphs. Economists should be able to interpret and draw correct and accurate graphs. Also, during the teaching – learning process, teachers must always relate the theory to real world scenarios through the use of examples. This will enable candidates to apply the learnt information to live situations like the case of Question 1.

Educators should also teach students how to respond to questions that require them to use their higher cognitive skills. Candidates should also be taught to focus more on economic issues rather than social or political issues.