

ECONOMICS

SUBJECT 9158

JUNE 2013

PAPER 03

GENERAL COMMENTS

The question paper had a balanced coverage of the syllabus. Questions were up to standard in terms of the level of difficulty. Generally candidates performed well. However, some candidates could not demonstrate higher level cognitive skills such as application, analysis, synthesis and evaluation.

QUESTION 1

This question was very popular. Part (a) required candidates to explain economic efficiency. Most candidates could not identify different types of economic efficiency. Some responses lacked detail. On part (b) very few candidates were able to provide a reasoned discussion on whether resources are more efficiently allocated in market economy than in a planned economy.

QUESTION 2

It was a popular question. On part (b) most candidates were not able to distinguish between determinants of price elasticity of demand and determinants of demand. On part (b) there was a tendency to discuss applicability of price elasticity of demand leaving out income and cross elasticities. Most candidates failed to apply the elasticity concepts to a retail shop.

QUESTION 3

The question was popular. On part (a) candidates merely listed advantages and disadvantages of large firms. There was a tendency to repeat those advantages as benefits of multinationals to the economy.

QUESTION 4

This question was also popular. Generally, candidates were able to distinguish between oligopoly and monopolistic competition. However, the majority of candidates could not evaluate the benefits of oligopolistic firms to the economy. The reason might be that candidates are not taught the advantages and disadvantages of market structures.

QUESTION 5

It was a popular question. Generally candidates were able to explain in Marginal Revenue Product (MRP) Theory but they failed to apply it and evaluate its usefulness in explaining wage determination in their country.

QUESTION 6

This question was not popular. Candidates who attempted it could not explain the relationship between employment and market interest rate and employment. On part (b) most candidates could not identify demand side policies meant to reduce unemployment in their country. As a result, candidates could not assess the effectiveness of the policies.

QUESTION 7

This question was popular. Most candidates explained the absolute advantage theory instead of the comparative advantage theory. Those who explained the theory of comparative advantage failed to realise that comparative advantage is based on differences in opportunity costs among countries.

QUESTION 8

It was not popular. Most candidates could not give an adequate explanation of the Loanable Funds Theory of interest rate determination. For instance, candidates were silent on the sources of loanable funds. Most candidates were not clear on the effects of a rise in interest rates in their economy.

QUESTION 9

The question was not popular. Most candidates managed only to give simple definitions of progressive taxation and regressive taxation. They also failed to identify measures taken by the government to achieve equitable distribution of income and wealth.

QUESTION 10

The question as attempted by very few candidates. Those candidates who attempted it failed to clearly show the complementarities between fiscal and monetary policies in achieving economic growth and low inflation. They also failed to show the trade-off between economic growth and inflation as macroeconomic objectives.

QUESTION 11

The question was not popular. Candidates who attempted it were just stating the effects of an increase in deficit financing and a decrease in credit creation on money supply. The candidates could not evaluate the effectiveness of monetary policy in reducing inflation rate in their country. It was sad to note that some candidates treated taxation and subsidies as monetary policy measures.

QUESTION 12

It was a popular question. Most candidates could identify developments policies. However, their responses lacked thorough discussion and evaluation.