



EXAMINER'S REPORT

AUGUST 2003

ECONOMICS

General Comments

This examination was taken by 21 candidates. The results were somewhat disappointing with 10 candidates failing outright, and with only 1B and 2C grades. The paper itself was relatively easy, but the pattern of marks made it clear that many were unprepared for the whole paper, though knew some parts reasonably well. There were of course some spectacular exceptions where knowledge was poor throughout.

Question 1

The notes were generally too brief, and off the point, with little or no economics. The students need to work through a numeric example of comparative advantage. GNP is not Gross National Profit, nor is it X-M.

Question 2

The main instrument is a tax on drink. The fact that demand is price inelastic does not mean that price increases have no effect.

Question 3

Most people spent too long on this. Give a precise definition and measurement.

Question 4

$P=MC=MR=AC$ and AC a minimum.

Question 5

Show what output a monopolist will produce ($MR=MC$) with no restriction, and what will happen when govt sets P.

Question 6

Clash between liquidity and profitability. Overlending and hence an inability to meet cash needs of customers. Run on bank, which could spread to all if no lender of last resort.

Question 7

Impact of recession: timing, scale, differential impact on sectors

Question 8

Exchange rate, state of economy, indirect tax changes.