



EXAMINER'S REPORT

AUGUST 2007

ECONOMICS

General Comments

A very small number of students took this examination. All passed. The general standard was good, though, as always, there were some old mistakes revisited.

Question 1 is essentially asking students to apply their economics to real-world issues. The answers tended to be single issue focused, whereas there is a benefit in considering wider issues.

Question 3 (b) generally answered well, though several arithmetic errors. This is primarily a question of practice.

Question 4 (b) was also generally answered well, but again some arithmetic errors. The second part of the question posed problems for some, and there was a tendency to assume the answer-all the tax was borne by the consumer, so that the price increased by the amount of the tax. This is only the case when the demand curve is vertical and we know it is not from the demand equation. The new supply function with the tax must be estimated and then the supply and demand equations solved. This is done by replacing P , the price in the original equation, by $P-t$ where t is the tax, and then solving the two equations. The result will then show how the tax is distributed between the producer and the consumer.

Question 5 was answered well.

Question 6 re money supply process still needs some work. A simple verbal description should be given to explain what is going on with the numbers given in the numerical example. The numerical example can also be short, but it needs to be closed off-and this does not require several pages of numbers.

Question 7 was answered well.