

Level 1 Economics 2018

Standards [90983](#) [90985](#) [90986](#)

Part A: Commentary

Many candidates showed confidence with the Economics concepts examined. To earn a Merit or Excellence grade, candidates are advised to reinforce their explanations with reference to the graph, relevant data and to link to a reason as to why this economic situation has eventuated.

A common theme across all three papers is that candidates are not fully explaining their flow on effects — a flow on effect is an action taken by the business, as a result of an event, NOT a consequence. Candidates need to explain the impact beyond what has already been established by the question.

Part B: Report on standards

90983: Demonstrate understanding of consumer choices, using scarcity and/or demand

Candidates who were awarded **Achievement** commonly:

- demonstrated understanding of economic theory by defining key terms (e.g. scarcity, opportunity cost, values, law of demand, complements)
- constructed accurate graphs and used them to differentiate between a change in quantity demanded and a change in demand
- identified flow-on effects and compromises, without fully explaining them.

Candidates who were assessed as **Not Achieved** commonly:

- incorrectly defined key economic terms (e.g. opportunity cost, values, the law of demand)
- could not construct an accurate demand curve from given data
- did not attempt questions (or parts of questions)
- repeated resource material in an attempt to answer the question.

Candidates who were awarded **Achievement with Merit** commonly:

- made specific reference to the data e.g. an increase from 8 to 12 lessons, and specific reference to graph changes e.g. a shift from D1 to D2
- gave a clear example of an opportunity cost
- explained the income and/or substitution effect of a price decrease.

Candidates who were awarded **Achievement with Excellence** commonly:

- fully explained two valid compromises
- fully explained flow-on effects
- used the resource material given to develop full explanations.

Standard specific comments

When providing a flow-on effect, candidates could improve their answer by explaining the impact beyond what has already been established by the question. The price decrease led to Rania increasing her quantity demanded of swimming lessons and therefore “attending more swimming lessons” is not a valid flow-on effect as this has already been explained. One example of a developed explanation is “Having less time for her school work and therefore her grades are falling”.

90985: Demonstrate understanding of producer choices using supply

Candidates who were awarded **Achievement** commonly:

- showed good graphing skills
- explained the law of supply
- explained/defined ceteris paribus
- understood the relationship between cost of production and supply
- explained/related a related good
- did not understand that the legal factor of health and safety regulations was a cost of production
- were unable to distinguish immediate effects of an event and flow-on effects
- incorrectly suggested a business as a related good
- confused related goods with complements or substitutes
- incorrectly suggested that a flow-on effect was to cut staff to save costs of production.

Candidates whose work was assessed as **Not Achieved** commonly:

- showed poor graphing skills
- did not label new supply curves
- only partially explained the law of supply

Candidates who were awarded **Achievement with Merit** commonly:

- correctly used graphs to illustrate events
- understood that a change in profitability causes a change in supply, rather than the other way around
- applied the concept of a related good to the context
- understood that less resources, including less labour, was needed when there was a decrease in supply of quantity supplied
- described ceteris paribus
- used conjunctions effectively to clarify relationships between economic concepts e.g. when price falls, quantity supplied falls because it is less profitable
- understood flow-on effects but failed to explain them convincingly/explain causality.

Candidates who were awarded **Achievement with Excellence** commonly:

- provided examples to elaborate their point/argument
- showed detailed understanding of how and why profitability was affected by events
- had difficulty giving two flow-on effects for Question 3 that were conceptually different
- made reference to the graph in their explanations.

Standard specific comments

Understanding of ceteris paribus was very good across the cohort this year.

A number of candidates found it difficult to take the producer's perspective required in this standard.

Some candidates were confused between supply and the ideas of sales or revenue, which do not arise solely from supply.

90986: Demonstrate understanding of how consumer, producer and/or government choices affect society, using market equilibrium

Candidates who were awarded **Achievement** commonly:

- identified with correct labels; prices, quantities, demand and supply curves and equilibrium
- identified surpluses correctly, but often did not describe the surplus as $Q_S > Q_D$
- stated that producers will decrease price in response to a surplus (not "they" or "we" or not simply that "price must decrease")
- identified the before and after prices and quantities due to a sales tax
- incorrectly discussed the situation that lead to the surplus and not what needed to be done to restore equilibrium
- did not explain the flow-on effect (e.g. merely stated "black market") – this answer should say why it has eventuated and what this means
- did not always produce clear graphs – a surplus should have endpoints on the graph and clearly indicate the size
- confused terms e.g. Quantity demand/supply vs demand/supply
- did not use figures in their explanation
- defined surplus or why the price decreases (Q1).

Candidates whose work was assessed as **Not Achieved** commonly:

- did not complete graphs correctly and/or did not go into detail enough in the written answer
- did not state changes clearly – i.e. said "change" instead of "increase/decrease"
- had a graph incorrect (i.e. shifting demand instead of supply curve) and/or calculations incorrect, in question three
- did not label the graph appropriately
- moved the curve in the wrong direction or confused a shortage and a surplus
- did not provide a written answer or only partially completed the graph
- did not complete all or parts of a question
- incorrectly labelled graphs
- incorrectly shifted prices due to a minimum price control
- incorrectly shifted demand or supply curves after a sales tax.

Candidates who were awarded **Achievement with Merit** commonly:

- gave accurate definitions of the concepts (e.g. surplus)
- stated accurate figures but did not explain them fully
- applied the laws of supply and demand

- explained why a surplus is created using data from the graph
- explained how a producer will react to a surplus
- explained the effect of the producer's reaction to a surplus on quantity demanded and quantity supplied
- explained using data the effect of a price control on price, quantity demanded and quantity supplied
- calculated the effect of a sales tax on government revenue.

Candidates who were awarded **Achievement with Excellence** commonly:

- correctly calculated changes in Q3 and explained them, using the figures in the written answer
- linked consumer spending to the change in price and quantity demanded (in Q2)
- explained law of demand/supply in full, stating reasons (more affordable, less profitable, ceteris paribus etc.)
- referred to the graph consistently
- explained flow-on effects with economic language, i.e. related goods or substitute goods used correctly
- explained in depth the effect of a producer's reaction to a surplus on quantity demanded and quantity supplied using the law of demand and supply
- used correct data to explain the effect of a minimum price control on consumer spending and consumption
- explained using in-depth understanding of what a minimum price control is the effect on price and quantity supplied
- calculated the effect of a sales tax on consumer spending and producer's revenue
- distinguished between short and long term government effects.

Standard specific comments

Candidates commonly did not explain the surplus as $QS > QD$.

Some candidates missed out on achieving higher grades due to lack of economic terms in explanations.

Often candidates would use the word "change" instead of increase/decrease which prevented candidates from getting credit for explaining those changes.

Lots of untidy arrows in surplus labelling were evident.

Forgetting to include figures, or to refer to the graph decreased grade values for many candidates.

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Previous years' reports

[2017](#), [2016](#)