

## Assessment Report

# Level 3 Economics 2017

Standards [91399](#) [91400](#) [91403](#)

### Part A: Commentary

It is pleasing that candidates generally displayed good sketch graphing skills across all three papers. However, it is important for candidates to carefully check their graph work as significant errors or omissions will result in an achieved or not achieved grade, even if the written explanations are of a high quality.

All relevant concepts referred to in a question need to be covered if a candidate is to gain a merit or excellence grade. Candidates are encouraged to circle or underline the key ideas mentioned in the question paper. Multiple reasons for answers should be given which include (where relevant) reference to changes made to graphs or calculations.

References to any given context in the resource material and defining relevant terms can help candidates add detail to their answer.

Candidates should use clear and accurate language. For example allocative efficiency occurs when the sum of consumer plus producer surplus (or total surpluses) is maximised. Whereas stating that it occurs when consumer surplus and producer surplus are maximised is technically incorrect.

### Part B: Report on standards

#### **91399: Demonstrate understanding of the efficiency of market equilibrium**

Candidates who were awarded **Achievement** commonly:

- used correctly shaded and labelled graphs
- explained impacts on consumers, producers and the government with relevant reasons
- stated economic theory and graph changes without including the context of the question
- explained market forces by identifying a surplus or a shortage.

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

- used incorrect graphing and/or partially completed graphs
- explained changes to graphs that were incorrectly drawn

- neglected to identify a surplus or shortage as the trigger for market forces
- did not refer to 'total surpluses' at all in explanations of allocative efficiency
- did not use the impact on price and quantity to explain impact on consumers, producers and the government.

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

- used correctly shaded and labelled graphs
- understood and explained the correct terms of quantity demanded and quantity supplied to explain how market forces operate
- used multiple reasons to explain impacts on consumers, producers and the government, including price and quantity.
- explained allocative efficiency in detail by identifying deadweight loss and impact on total surpluses
- clearly linked the graph or given data in the table in their explanation.

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

- integrated the changes to the graphs in explanations for each question - i.e. referred to changes on graphs multiple times in explanations
  - demonstrated fluency in writing to systematically answer all relevant points
  - integrated economic theory into the context of the question
  - analysed the impact of a change in a market on consumers, producers and the government by comparing and contrasting impacts.
  - explained the impact on surpluses, government and allocative efficiency in detail using economic models to compare and contrast.
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## **91400: Demonstrate understanding of the efficiency of different market structures using marginal analysis**

Candidates who were awarded **Achievement** commonly:

- identified and labelled the profit maximising price and quantity for a perfect competitor and a monopolist
- identified and labelled average cost and marginal cost equilibriums
- correctly illustrated most aspects of the short run and long run situation for a perfect competitor
- identified at least one key characteristic of a monopoly and perfect competition market structure
- explained that a monopolist is not allocative efficient and a perfectly competitive firm is allocative efficient, including one relevant reason in their answer
- explained that marginal cost pricing is more beneficial for the consumer and is allocative efficient
- explained one correct impact of an increase in fixed costs for a perfect competitor in the short run and the long run.

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

- completed the graphs but attempted very few written responses
- incorrectly labelled the graphs
- wrote irrelevant material that didn't answer the question
- could not describe or explain marginal analysis

- wrote incorrect allocative efficiency explanations e.g. explained that a monopoly firm was allocative efficient and marginal cost pricing was not allocative efficient
- explained long run impacts for short run situations.

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

- correctly illustrated all aspects of the short run and long run situation for a perfect competitor
- made specific graph references in their detailed explanations
- identified at least two key characteristics of a monopoly and perfect competition market structure
- gave valid reasons in their allocative efficiency explanations linked to deadweight loss, total surpluses and/or market equilibrium ( $AR=MC$ ,  $S=D$ )
- referred to marginal losses or marginal profits when explaining marginal analysis
- explained at least two correct impacts of an increase in fixed costs for a perfect competitor in the short run and long run.

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

- covered, in detail, all of the key points in each question
- Integrated specific graph references throughout their answers
- gave multiple and relevant reasons for their answers e.g. referred to DWL and total surpluses and market equilibrium ( $AR=MC$ ,  $S=D$ ) when explaining allocative efficiency
- displayed an excellent understanding of marginal analysis
- explained all the correct impacts of an increase in fixed costs for a perfect competitor for the short run and for the long run.

## **91403: Demonstrate understanding of macro-economic influences on the New Zealand economy**

Candidates who were awarded **Achievement** commonly:

- defined key concepts and used models accurately
- partially explained how scenarios would contribute to goals of government and or how government policies would work
- shifted the AD curve accurately and identified AD increased due to 2 components apart from G
- explained that the spending on tertiary education shifted AS due to increase in productivity but did not include decreasing costs of production in the explanation
- identified that new FTA's will increase export and export receipts
- explained that an increase in FTA would increase the exports, more production and therefore more resources like labour were needed
- defined savings and/or investment
- accurately manipulated AD/AS graphs
- were able to correctly identify the expansion stage of the business cycle
- explained increased exports leads to more goods + services being produced
- understood that price stability was threatened by a rising price level.

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

- incorrectly shifted the AD and AS curves in Q1 and 3, particularly in Q1c
- did not address the question in their answer
- showed little understanding of FTAs and the current account and how it was formed, often confusing it with the government budget, or assuming it only included export receipts and import payments
- only referred to G spending increasing AD and not 2 other components

- did not link an increase with AS with increase in productivity and did not recognise that an increase in government spending will increase AD in Q1 b & c
- showed a lack of understanding of the business cycle
- stated an increase in PL as increasing price stability
- did not identify which curve was impacted by changing consumption/government spending/productivity
- failed to define savings and investment accurately

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

- used the economic models to support analysis and made complete statements that explained the components of AS/AD that were being affected.
- explained that BOG and BOS contributed to the Current Account Balance.
- shifted both AS and AD curves correctly in Q1b and explained how an increase in Government spending Increased AD and AS with correct, detailed reasons
- explained the concept of derived demand in Q2, using real and money flows from the model
- explained the large increase in PL would not meet the price stability goal
- gave substantive reasons that explained why two of C,I,X-M increased due to more regional development
- made comparison between imports and exports when discussing the effect of free trade agreements
- linked the removal of tariffs to price competitiveness
- answered the question using the contexts provided
- defined terms correctly
- referred to the model and the relevant flows in that model
- had some explanation as to the effectiveness of policies but lacked the depth of comparison/contrast or conclusion.

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

- could compare two government policies and explain in detail why one was better (using references to the models). Both alternatives were considered and the best one justified.
- understood the goals of government and how the government could act to improve or work towards them
- clearly understood the increase in Government spending in tertiary education would increase AD and AS
- explained in detail the impact on the FTA on the Current account with reference to Balance on goods and services
- justified in detail whether new FTA's will benefit the goals of a balanced current account or full employment more
- clearly explained that the increase in AD would not help achieve either price stability or a significant increase in real GDP and explained that resource shortages in a boom period not only lead to extra inflation, but also made significant growth unattainable.
- referred both to detailed ideas and the AD and AS curves in their comparison about which government policy was most effective at long term growth
- gave clear reasons about why full employment or a balanced current account was more attainable by integrating understanding about NZ's contemporary trade situation
- compared and contrasted the 2 policies/goals or models
- used the model throughout their written answer.

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**Previous years' reports**

