

Assessment Report

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Level 2 Economics 2019

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Part A: Commentary

It was encouraging to see many 2019 candidates correctly labelling, shifting and referring to all models and graphs in their answers. Candidates who achieved at Merit and Excellence level were able to demonstrate their understanding of what each model represents (e.g. price taker and the production possibility frontier).

More candidates could have achieved at all levels of achievement if they had either completed all questions, or made better use of the stimulus material. Often stimulus material suggests potential strategies or examples for the candidates to use in developing a detailed answer. Although candidates should avoid simply re-writing the material provided, integrating it judiciously into their arguments can help them to access the higher grades.

Part B: Report on standards

91222: Analyse inflation using economic concepts and models

LIVE

Candidates who were awarded **Achievement** commonly:

- recognised the variables of the Quantity Theory of Money and could recognise that an increase in the money supply would increase the price level, when all other factors remained constant.
- used the AD / AS model effectively by understanding that increasing demand or supply is a shift to the right
- explained the component of Aggregate Demand impacted by an international event in New Zealand
- explained the impact of import prices on Aggregate Supply using the impact on costs of production
- explained the meaning of inflation and deflation with an identified example
- recognised the impact of inflation and deflation on the real value of savings and debt.

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

- failed to identify one or more of the variables of the Quantity Theory of Money
- misunderstood the impact of changes to the money supply and velocity of circulation on the balance of the Quantity Theory of Money
- used the AD / AS model incorrectly by shifting the AS curve downwards to show a decrease in Aggregate Supply
- identified a period of disinflation rather than the required deflation
- did not answer all the questions.

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

- understood the meaning of balancing the Quantity Theory of Money equation with the impact on the price level when changing other variables
- fully explained the export receipts component of Aggregate Demand with respect to international visitors
- fully explained the impact of import prices on costs of production and Aggregate Supply in context

- referred to the AD / AS model when relevant
- explained two reasons why import prices have a greater impact on inflation than an international event
- fully explained the impact of inflation and deflation on the real value of savings and debt.

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

- fully grasped the importance of balancing the Quantity Theory of Money equation, by understanding the impact on the price level
 - fully explained the export receipts component of Aggregate Demand with respect to international visitors
 - fully explained the necessity for businesses to increase prices to maintain profit margins and therefore the cause of cost push inflation
 - clearly and succinctly explained economic concepts and models in context
 - fully explained the impact of inflation and deflation on the real value of savings and debt.
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91223: Analyse international trade using economic concepts and models

Candidates who were awarded **Achievement** commonly:

- explained a depreciation of the New Zealand dollar
- explained that exports would increase due to a depreciation of the New Zealand dollar
- explained what a price taker was and that workers in the accommodation industry would be worse off due to a bed tax
- stated impacts on exports, producers, workers and the government from investment in the hop industry

- attempted all questions.

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

- did not explain how the depreciation of the New Zealand dollar would affect consumers and producers of aluminium
- shifted the wrong curve on graph 1 or did not show a new higher world price on graph 2
- increased the world price or shifted the demand curve on the price taker model
- could not define what a price taker is
- could not give full answers to each question
- did not attempt all questions.

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

- fully explained why the New Zealand dollar had depreciated, showing the decrease in demand and explaining the effect on export receipts, referring to graphs one and two in their explanations.
- fully explained what a price taker is in the context of New Zealand's accommodation industry
- fully explained the impacts of a bed tax on producers and workers, referring correctly to a decrease in the supply curve in their explanation
- fully explained the impact of government investment in the hop industry on export receipts, producers and workers in the beer industry (giving some flow on effects) and on future government revenue (mentioning taxation).

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

- fully explained why the New Zealand dollar had depreciated, showing the decrease in demand and explaining the effect on export receipts, New Zealand consumers, New Zealand producers, while referring to graphs 1 and 2 in their explanations.
- fully explained what a price taker is in the context of New Zealand's accommodation industry and fully explained the impacts of a bed tax on producer and workers
- fully explained the impact of government investment in the hop industry on export receipts, the current account, producers, workers in the beer industry

and on future government revenue.

LIVE

Standard specific comments

Reference to graphs in answers is vital to achievement at a Merit and Excellence level. Many candidates wrote detailed explanations; however, not referring to graphs cost many candidates a Merit or Excellence grade.

Candidates are advised to fully explain by giving reasons for curve shifts or effects on groups.

Candidates should be as specific as possible when explaining effects. Using words such as 'costs of production', 'revenue', 'profits', 'quantity demanded', 'quantity supplied' typically meant candidates scored higher grades in their answers if they were used correctly.

91224: Analyse economic growth using economic concepts and models

Candidates who were awarded **Achievement** commonly:

- attempted all the questions with appropriate statements and at least one explanation within the paper
- went beyond statements and provided explanations
- referenced the model or resource material in their explanations and referenced the impact on growth
- labelled graphs and their shifts correctly
- repeated previous answers rather than develop new ideas for a different question
- explained costs or benefits on a specific group, but not both.

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

- did not fully label changes they made in economic graphs / models
- did not attempt all the questions
- used the words production, productivity and potential

capacity interchangeably. Each of these words has distinct economic meanings

- used models other than the one specified in the question in their answer
- did not reference the impact on growth in their answer
- did not reference an economic model or the resource material in their answer
- did not use appropriate Level 2 Economics terminology
- wrote statements rather than explanations
- did not appear to have read the stimulus material and answered the questions directly without the correct context.

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

- understood that an in-depth explanation of the production possibility frontier model should reference both capital and consumer goods in the answer.
- understood that an explanation can be developed by adding additional reasons for shifts, multiple distinct costs or benefits
- used economic words specific to the model asked in the question
- wrote in-depth explanations, however, with minimal comparisons.

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

- referenced either the model or stimulus material to justify their conclusions
- correctly provided detailed explanations for both costs and benefits that did not contradict other explanations in their answer.
- attempted to compare and contrast their full explanations in all questions.
- explained multiple costs and benefits of economic growth on the groups in question.
- expanded on their earlier full explanations, rather than just repeating them.

Standard specific comments

The Production Possibility Frontier model is not understood by many Candidates. Many Candidates wrote answers / explanations that indicated they believed that the economic terms 'production', 'productivity' and 'potential capacity' have the same meaning, which is not correct. Many candidates also believed that this

model measured consumer spending, income levels or government taxation when it is actually used to measure output in terms of potential and actual GDP, using production of consumer and capital goods.

It was encouraging that candidates understood the aggregate demand and aggregate supply models, with strong referencing to graphs and / or resource material.

When explaining in-depth costs and benefits to various groups in the economy, candidates need to move beyond statements to justify or support why or how the groups are impacted through growth.

[Economics subject page](#)

Previous years' reports

[2018 \(PDF, 103KB\)](#),

[2017 \(PDF, 50KB\)](#),

[2016 \(PDF, 221KB\)](#)