

Assessment Report

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Level 3 Economics 2019

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

Part A: Commentary

The overall level of detailed explanations was pleasing with high-performing students giving multiple reasons in their answers, incorporating relevant definitions and integrating graph references. Note that graph references need to include specific labels (e.g. P_1 , MC_2), which are incorporated into the writing. Statements such as “as shown by the shift in the supply curve in Graph Two” are not sufficient and do not qualify as a graph reference.

Strong merit candidates often missed out on excellence due to not covering all aspects of the question in their explanations.

Candidates who performed poorly often failed to use appropriate Level 3 terminology and concepts to complete their explanations. For example, if candidates are required to explain the impact on consumers in the 91399 or 91400 papers, then the effect on consumer surplus needs to be explained, even if this is not specifically stated in the question. Misinterpreting the resource material,

inaccurate graph work and incorrect calculations were other common errors for these students.

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Part B: Report on standards

91399: Demonstrate understanding of the efficiency of market equilibrium

Candidates who were awarded **Achievement** commonly:

- identified key concepts but struggled to relate these concepts to the graph or question
- identified the correct impact on CS and PS but did not refer to price and quantity in their explanations
- did not define CS or PS
- did basic tasks on the graph (e.g. shading the DWL), but did not complete complex tasks (e.g. showing the change to CS / PS).

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

- did not answer the questions, often writing irrelevant material
- did not identify or describe changes to CS / PS related to price and quantity
- were unable to describe or define CS and PS
- failed to identify or calculate CS / PS on a graph.

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

- completed graphs accurately
- referred to two of price, quantity, and definition when explaining changes in surpluses
- completed most calculations correctly
- referred to consequences of concepts (i.e. inelastic demand means there are few or no substitutes).

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

- correctly showed changes on all of the graphs
 - made correct calculations
 - integrated what was being shown on the graph into their answers
 - referred to all of price, quantity, and definition when explaining changes in surpluses
 - identified consequences for changes on different groups.
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91400: Demonstrate understanding of the efficiency of different market structures using marginal analysis

Candidates who were awarded **Achievement** commonly:

- correctly identified, labelled and shaded (where relevant) prices, quantities, profits, consumer surpluses and deadweight losses for perfect competition, monopoly and natural monopoly graphs
- correctly shifted and labelled relevant cost and revenue curves for a perfect competitor and a monopolist
- described at least one relevant characteristic of a perfect competition and monopoly market structure
- defined subnormal and supernormal profit
- explained changes in consumer surplus for a natural monopoly in terms of changes in price or quantity
- used the concept of deadweight loss to explain allocative efficiency and inefficiency
- explained one relevant point for marginal analysis
- recognised that a PC firm receives a normal profit in the long run

- recognised that a monopoly firm can maintain a subnormal profit in the long run due to barriers to entry.

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

- made inaccurate changes to graphs
- did not fully label correct changes made to graphs
- did not answer the question or wrote irrelevant material
- did not give relevant reasons for correct answers
- failed to refer to marginal cost and revenue when completing marginal analysis questions
- listed characteristics of perfect competition and monopoly rather than explaining how each of the characteristics affect the price, output and profit levels.

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

- used the terms 'marginal profits' and 'marginal losses' when completing marginal analysis questions
- incorporated specific price and quantity labels from the graphs into their written explanations
- referred to deadweight loss AND supply and demand when explaining allocative efficiency and inefficiency
- explained changes in consumer surplus for a natural monopoly in terms of changes in price AND quantity
- explained supernormal and subnormal profits, using definitions and extra detail.
- gave multiple and accurate reasons when explaining the long run profits for perfect competitors and monopoly firms
- generally used correct economic terminology for each question.

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

- integrated relevant characteristics of monopoly and perfect competition market structures into their written explanations
- integrated multiple specific graph references into their written explanations when given reasons for any changes

- correctly labelled all of their graphs with no significant errors
 - compared and contrasted, using detailed explanations, marginal cost and average cost pricing
 - compared and contrasted, using detailed explanations, long run equilibrium for perfect competitors and monopolists
 - displayed an excellent understanding of marginal analysis by referring to MC and MR, marginal profits and losses, and the profit maximising / loss minimising point ($MR=MC$).
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91403: Demonstrate understanding of macro-economic influences on the New Zealand economy

Candidates who were awarded **Achievement** commonly:

- used correct economic terminology and used models accurately
- defined economic concepts correctly
- linked R&D tax incentive to innovation or new technology and aggregate supply
- stated the multiplier formula correctly or calculated the final increase in GDP
- linked the scenario to the correct AD / AS component , so therefore made the correct shifts on the AS / AD model
- stated that at lower levels of output there were more idle resources in the economy
- linked a decrease in export receipts to decrease in aggregate demand
- understood that the new US tariffs would result in fewer exports and export receipts flowing from NZ to the US, worsening the current account balance
- linked a decrease in Real GDP (Y) to an increase in unemployment.

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

- drew diagrams inaccurately or made incorrect shifts
- misinterpreted resource material
- did not understand what Research and Development was, or its purpose
- incorrectly stated the spending multiplier formula
- stated that expansionary fiscal policy involved a change in interest rates
- failed to link increases in AD / AS to economic indicators or goals (e.g. Real GDP or Economic Growth)
- repeated answers from previous parts of the question rather than addressing bullet pointed requirements.

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

- referenced the economic models and resource material to support their answer
- explained what a supply side policy is and how R&D would cause an increase in AS
- explained in detail why at least 3 factors of AD (G,C,I or X) would cause an increase and cause a significant shift to the right from regional economic development
- linked regional economic development projects to a need for more workers to complete the projects
- calculated the final impact of an injection using the multiplier and clearly explained that one person's spending is another's income
- explained fiscal policy in detail to link it to an increase in AD.
- linked under-utilised resources to a relatively small increase in costs and the price level when AD increased.
- linked a decrease net exports and Real GDP to a decrease in employment using the concept of derived demand
- explained a smaller impact on employment from US tariffs as reduced employment was offset by a strong NZ economy and skills shortage
- did not compare / contrast or draw a valid conclusion in their detailed explanations.

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

- understood the goals of government and how the government could work towards them.
- used the context of the question throughout their answer, fully incorporating the resource material.
- compared and contrasted the two goals, policies or influences and prepared a justified conclusion.
- clearly linked R and D to increased productivity, lower costs of production and increased profitability
- explained in detail why regional economic development was better at achieving full employment and that R&D may decrease jobs due to new technology
- fully explained how expansionary fiscal policy is, or is not, effective at achieving price stability using the PTA target
- fully explained how expansionary fiscal policy is effective at achieving economic growth when the multiplied effects are accounted for
- fully explained how a decrease in exports and export receipts would affect the balance of goods, which is a component of the current account
- considered the relevant size or importance of the export sector and / or export market involved to make a justification.

Subject specific comments

- Candidates who performed well used the resource material to support explanations and they answered all bullet-pointed parts of the question.
- Some candidates did not use the business cycle diagram and struggled to incorporate it into their answer.
- Many candidates confused an increase in investment as a factor of AS rather than AD
- The multiplier concept was well explained.

[Economics subject page](#)

Previous years' reports

[2018 \(PDF, 105KB\)](#),

[2017 \(PDF, 51KB\)](#),

[2016 \(PDF, 223KB\)](#)

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