

Achievement Standard

Subject Reference Economics 3.2

Title Demonstrate understanding of the efficiency of different market structures using marginal analysis

Level 3 **Credits** 4 **Assessment** External

Subfield Economic Theory and Practice

Domain Economics

Status Registered **Status date** 04 December 2012

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This achievement standard involves demonstrating understanding of the efficiency of different market structures using marginal analysis.

Achievement Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<ul style="list-style-type: none"> Demonstrate understanding of the efficiency of different market structures using marginal analysis. 	<ul style="list-style-type: none"> Demonstrate in-depth understanding of the efficiency of different market structures using marginal analysis. 	<ul style="list-style-type: none"> Demonstrate comprehensive understanding of the efficiency of different market structures using marginal analysis.

Explanatory Notes

- This achievement standard is derived from the first Level 8 Economic Achievement Objective of the Social Sciences learning area in *The New Zealand Curriculum*, Learning Media, Ministry of Education, 2007, and is related to the material in the *Teaching and Learning Guide for Economics*, Ministry of Education, 2012 at <http://seniorsecondary.tki.org.nz>.
- Demonstrate understanding* involves:
 - providing an explanation of:
 - pricing and output decisions for perfectly competitive and/or monopolist firms using marginal analysis
 - efficiency of a market structure
 - impact of a change in a market on the short and/or long run pricing and/or output decisions of a firm using marginal analysis
 - a government policy to improve the efficiency of a monopoly market
 - using an economic model(s) to illustrate concepts relating to the efficiency of different market structures.

Demonstrate in-depth understanding involves:

- providing a detailed explanation of:
 - pricing and output decisions for perfectly competitive and/or monopolist firms using marginal analysis
 - the efficiency of a market structure
 - the impact of a change in a market on the short and/or long run pricing and/or output decisions of a firm using marginal analysis
 - a government policy to improve the efficiency of a monopoly market
- using an economic model(s) to illustrate complex concepts and/or support detailed explanations relating to the efficiency of different market structures.

Demonstrate comprehensive understanding involves:

- comparing and/or contrasting:
 - the efficiency of market structures
 - the impact of a change in a market on the short and long run pricing and/or output decisions of a firm using marginal analysis
 - the effectiveness of government policies to improve the efficiency of a monopoly market
- integrating an economic model(s) into explanations relating to the efficiency of different market structures.

3 *Efficiency* refers to allocative efficiency of market equilibrium which occurs when the sum of consumer and producer surpluses are maximised (so 'total surpluses' are maximised). This includes recognising that deadweight loss indicates a market is allocatively inefficient.

4 A *market structure* refers to monopolies (including natural monopoly) and perfectly competitive firms. This may include the distinguishing features of monopoly and/or perfectly competitive markets.

5 *Marginal analysis* refers to using marginal revenue and marginal cost to determine the output and pricing decisions of firms. This includes demonstrating understanding:

- that perfectly competitive firms operate at the profit maximising output where $P(=MR) = MC$ and are allocatively efficient; and/or
- that monopoly firms operate at the profit maximising output where marginal revenue equals marginal cost ($MR = MC$) but are allocatively inefficient.

6 Assessment Specifications for this achievement standard can be accessed through the Economics Resources page found at <http://www.nzqa.govt.nz/qualifications-standards/qualifications/ncea/subjects/>.

Replacement Information

This achievement standard and AS91401 replaced AS90629 and unit standard 5863.

Quality Assurance

- 1 Providers and Industry Training Organisations must have been granted consent to assess by NZQA before they can register credits from assessment against achievement standards.
- 2 Organisations with consent to assess and Industry Training Organisations assessing against achievement standards must engage with the moderation system that applies to those achievement standards.

Consent and Moderation Requirements (CMR) reference

0233