National Certificate of Educational Achievement

2013 Assessment Report

Economics Level 1

- 90983 Demonstrate understanding of consumer choices, using scarcity and/or demand
- 90985 Demonstrate understanding of producer choices using supply
- 90986 Demonstrate understanding of how consumer, producer and/or government choices affect society, using market equilibrium
COMMENTARY

Candidates were generally able to show key skills in economics such as completing a demand schedule, graphing supply, showing movements along the curves and showing shifts of the curves.

Those who were able to distinguish between the ideas of demand, supply, quantity demanded and quantity supplied, and those who used correct terminology appropriate to the specific standard e.g. profitability in the supply paper were able to score higher grades.

Candidates were generally able to write explanations in context and referred to the resource material. Those who read the resource material carefully were better able to link the economic concepts with the context of the questions. Better quality answers linked key ideas, rather than just giving a series of short answers.

Many candidates identified flow on effects but needed to explain them fully and in context.

Most candidates referred to their graphs in their answer.

STANDARD REPORTS

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

ACHIEVEMENT

Candidates who were awarded Achievement for this standard demonstrated the required skills and knowledge. They typically:

- defined or explained key ideas such as scarcity and opportunity cost correctly
- constructed demand schedules and graphs accurately following accepted conventions such as correct labelling
- understood how changes in the price of substitute and complementary goods affect demand
- correctly showed a decrease in demand as a leftward shift and an increase in demand as a rightward shift
- used the appropriate context in their answers.

NOT ACHIEVED

Candidates who were assessed as Not Achieved for this standard lacked some or all of the skills and knowledge required for the award of Achievement. They typically:

- did not follow economic conventions such as labelling demand curves
- referred to economic terms from other standards e.g. supply and profitability instead of demand and affordability
- failed to apply the resource material to their response or repeated resource material without adding further explanation
- did not identify any relevant flow on effects
- shifted the demand curve in the wrong direction
- incorrectly defined key concepts such as opportunity cost, law of demand, substitutes, inferior goods.
ACHIEVEMENT WITH MERIT

In addition to the skills and knowledge required for the award of Achievement, candidates who were awarded Achievement with Merit typically:

• provided price and quantity data and context in their descriptions e.g. when the price of computer games decreased from $100 to $60, the quantity demanded increased from three games to eight games a year
• explained their ideas most in context and mostly using economic terminology related to demand e.g. referring to affordability and substitute/complementary goods
• explained why limited means (time and money) occurs
• were accurate in their movement along the demand curve and labelled change in price and quantity with labels and/or arrows
• explained a flow on effect in terms of the action or consequence of the change in demand linked to the initial event
• made specific reference to graph changes (e.g. D to D₁) as part of explanations
• explained how income changes demand, for an inferior and luxury goods.

ACHIEVEMENT WITH EXCELLENCE

In addition to the skills and knowledge required for the award of Achievement with Merit, candidates who were awarded Achievement with Excellence typically:

• linked ideas in their answers using terms such as because, therefore, as a result and so on, rather than giving a series of short answers
• explained answer consistently in context e.g. referring to Taylor and consistently referred to the resource material
• integrated changes in the graph into their answer e.g. Taylor’s demand for football magazines will decrease from D to D₁, which indicates that Taylor demands fewer magazines at each and every price
• fully explained luxury goods by referring to the proportion of income spent as income increases
• fully explained flow on effects in terms of the action or consequence of the change in demand linked to the initial event.

OTHER COMMENTS

Many candidates missed out on higher grades due to incomplete definitions in their explanations. Similarly, “as shown on the graph” is not an acceptable reference to the graph and candidates must refer to the labels they have used.

90985 Demonstrate understanding of producer choices using supply

ACHIEVEMENT

Candidates who were awarded Achievement for this standard demonstrated the required skills and knowledge. They typically:

• described or explained key ideas such as the law of supply and related goods accurately
• plotted a well labelled supply graph and showed an accurate movement along the supply curve
• stated the effect on supply of a good, resulting from an increase in price of a related good
• correctly showed a decrease in supply as a leftward shift and an increase in supply as a rightward shift
• stated an example of a rising cost (or time) factor related to a decrease in supply
• identified wages as a cost of production
• stated one flow on effect in terms of the action or consequence of the decrease in supply linked to the initial event, rather than just restating the initial event itself.

NOT ACHIEVED
Candidates who were assessed as Not Achieved for this standard lacked some or all of the skills and knowledge required for the award of Achievement. They typically:
• used economic terms from other standards e.g. substitute/complementary goods instead of related goods or quantity demanded instead of quantity supplied
• made several error when drawing the supply graph, such as insufficient labelling of curve and axes, uneven scales on axes or no axes break
• showed a movement along the supply curve rather than a shift of the curve or else shifted the supply curve in the wrong direction
• failed to understand wages or the power failure were a cost of production or affected the cost of production.

ACHIEVEMENT WITH MERIT
In addition to the skills and knowledge required for the award of Achievement, candidates who were awarded Achievement with Merit typically:
• provided price and quantity data and context in their descriptions e.g. when the price of Stanley’s shoes increase from $80 to $130, the quantity supplied increases from 1,000 to 2,000 pairs per month
• explained their ideas mostly in context and mostly using economic terminology related to supply, e.g. using the term profitable rather than affordable; related goods rather than substitute/complementary goods; referring to Stanley’s shoes rather than the producer
• were accurate in their movement along the supply curve and labelled change in price and quantity with labels and/or arrows
• accurately drew and labelled a supply curve to show a decrease or increase in supply
• explained an example of a rising cost (or time) factor in context and mostly using economic terminology linked to a decrease in supply
• explained events such as the power failure and wages bill in terms of the effect it would have on profitability and therefore Stanley’s supply decisions
• explained one flow on effect in terms of the action or consequence of the increase in supply linked to the initial event rather than just restating the initial event itself.

ACHIEVEMENT WITH EXCELLENCE
In addition to the skills and knowledge required for the award of Achievement with Merit, candidates who were awarded Achievement with Excellence typically:
• linked ideas in their answers using terms such as because, therefore, as a result and so on, rather than giving a series of short answers
• explained answers consistently in context e.g. referring to Stanley and giving valid examples of costs in a shoe factory due to a power failure
• gave full answers that explained the reasons behind Stanley’s supply decisions e.g. if a firm is more profitable it has an increased ability to cover costs
• consistently used appropriate economic terms e.g. laying off workers or making workers redundant rather than ‘firing’ workers, using the terms: profit/income/revenue/costs instead of money and explain productivity in terms of output per worker or rate of production
• integrated changes in the graph into their answer e.g. Consequently, Stanley’s supply of shoes will fall as shown by a shift of the supply curve to the left from S to $S_1$, which indicates Stanley supplies fewer pairs of shoes at each and every price
• fully explained one flow on effect in terms of the action or consequence of the decrease in supply linked to the initial event, rather than just restating the initial event itself e.g. because of the rising costs and decrease in supply, Stanley may have to lay off some workers in order to remain profitable as there will no longer be enough work for them.

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

ACHIEVEMENT
Candidates who were awarded Achievement for this standard demonstrated the required skills and knowledge. They typically:
• plotted well labelled graphs accurately with equilibrium correctly identified
• identified and labelled a shortage/surplus
• shifted demand/supply curves in the correct direction
• stated a rise in price/increase in supply in context
• graphed accurately but did not attempt the written component
• made errors in calculations or wrote figures incorrectly.

NOT ACHIEVED
Candidates who were assessed as Not Achieved for this standard lacked some or all of the skills and knowledge required for the award of Achievement. They typically:
• did not attempt all questions
• shifted demand or supply curves in the wrong direction
• labelled incorrectly e.g. did not label equilibrium, did not indicate the size of a shortage/surplus using end point
• misunderstood/misinterpreted questions and therefore answered incorrectly e.g. assumed that the increase in imports would not be included in the NZ market for shoes or focused on non-price factors instead on non-price competition/marketing
• used incorrect terminology e.g. confused profit and revenue.

ACHIEVEMENT WITH MERIT
In addition to the skills and knowledge required for the award of Achievement, candidates who were awarded Achievement with Merit typically:
• provided data in their descriptions
• explained their ideas mostly in context and mostly using correct economic terminology
• included definitions in their explanation
• understood economic concepts and could apply them to situations e.g. a decrease in price to clear an existing surplus, applying law of demand and supply
• demonstrated on the graph how to eliminate a surplus by shifting the demand curve
• drew graph correctly and could explain reasoning behind the shift of demand/supply
• confused consumer spending with change in quantity demanded
• did not calculate consumer spending/producer revenue or could calculate correctly but could not explain the changed in government revenue of benefit to society.

ACHIEVEMENT WITH EXCELLENCE

In addition to the skills and knowledge required for the award of Achievement with Merit, candidates who were awarded Achievement with Excellence typically:
• explained answers consistently in context and using appropriate terminology e.g. profitability and affordability
• made reference to the graph/labels in an appropriate manner e.g. D to D\textsubscript{1} and integrated data and calculations into explanations
• made links between various concepts e.g. decrease in price leading to an increase in quantity demanded
• fully explained changes in price (due to a shortage or surplus) using
• explained how economic concepts would restore equilibrium and referred to the law of demand and law of supply in explanation of restoration
• correctly understood the impact of various market situations e.g. that tax affects two different prices on two different groups
• recognised how a change in demand or supply created a temporary situation of disequilibrium
• fully explained flow on effects to society.

OTHER COMMENTS

Graphing techniques were poor across the paper. Candidates must use rulers and label graphs clearly.