

# **National Certificate of Educational Achievement**

## **2013 Assessment Report**

### **Economics Level 3**

- 91399 Demonstrate understanding of the efficiency of market equilibrium**
- 91400 Demonstrate understanding of the efficiency of different market structures using marginal analysis**
- 91403 Demonstrate understanding of macro-economic influences on the New Zealand economy**

## COMMENTARY

Candidates are expected to read and then use the resource material in their answers.

Candidates should note that bullet points within each question provide a guide of what to include in their answers, but they should ensure that their responses answer the entire question.

Candidates who achieved with Merit and Excellence linked their responses to the resource material, and used or integrated economic models into their answers.

Candidates should attempt all parts of questions, as often earlier parts of questions lead towards later parts which combine to contribute towards Merit and Excellence grades.

## STANDARD REPORTS

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

#### **ACHIEVEMENT**

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

- explained how market forces work to restore market equilibrium
- explained allocative efficiency in terms of consumer surplus, producer surplus and deadweight loss
- recognised that allocative efficiency occurs when the sum of consumer surplus and producer surplus is maximised
- recognised that deadweight loss indicates a market is allocatively inefficient
- used economic model(s) to illustrate changes to market equilibrium
- used economic model(s) to explain changes in consumer surplus, producer surplus, government revenue and deadweight loss, in relation to changes to overall allocative efficiency.

#### **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:**

- provided inadequate or inaccurate explanations (e.g. did not recognise that consumer surplus has increased or stated that it has decreased instead of increased)
- shifted curves incorrectly or did not shift curves as required
- did not use economic models in their explanations.

#### **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 detailed explanations for changes in market equilibrium
- provided detailed explanations of the impact of changes in markets on the overall efficiency in the market

- correctly used economic model(s) to support their detailed explanations of changes in consumer surplus, producer surplus, government revenue and deadweight loss, in relation to changes to overall allocative efficiency.

## **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:**

- analysed the impact of a change in a market on efficiency by comparing and contrasting the different impacts on consumer, producer and government in that market
- fully integrated economic models into their detailed explanations of market equilibrium
- fully integrated economic models into their detailed explanations of the different impacts on consumer surplus, producer surplus, government revenue and overall allocative efficiency.

## **OTHER COMMENTS**

While many candidates made use of the extra paper provided, it should be noted that the space provided for each question is sufficient for detailed explanations that meet the requirements for Excellence. In some instances longer responses had contradictory ideas, which showed a lack of understanding.

## **91400 Demonstrate understanding of the efficiency of different market structures using marginal analysis**

### **ACHIEVEMENT**

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

- correctly identified the features of the different market structures
- accurately identified and labelled required points (P,Q) on a graph
- applied marginal analysis to show that a firm is maximising profit when  $MC=MR$
- accurately identified the profit maximisation point for different market structures.

### **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:**

- confused MR with AR
- confused allocative efficiency with marginal analysis
- omitted labelling on graphs
- gave rote-learned responses without first identifying the requirements of the questions
- placed cost and/or revenue curves incorrectly
- used inaccurate terminology when referring to features of different market structures
- demonstrated a lack of understanding of key economic concepts and models
- did not recognise that market equilibrium determined the  $P=D=AR=MR$  curve for the perfect competitor
- demonstrated a lack of understanding of determinants of supply and demand, and how the effect of a change in a determinant would be illustrated on a graph.

## **ACHIEVEMENT WITH MERIT**

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

- recognised economic relationships and accurately identified them on the graph
- recognised allocative efficiency occurs when the total of consumer plus producer surplus is maximised
- accurately sketched AC on MC
- graphed types of profit with precision
- accurately identified DWL at different prices on a graph, and explained why
- referred to resource material to support responses
- accurately used economic models to illustrate or support responses
- explained in detail allocative efficiency and the impact of a deadweight loss
- explained the profit maximising rule in detail.

## **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:**

- recognised the need to extend responses beyond the bullet points to comprehensively analyse the given situation
- integrated source material and/or graphs into responses
- recognised that high debt increases fixed finance costs, therefore increasing average costs
- demonstrated the ability to compare and contrast two or more positions
- applied features of different market structures to explain the behaviour of firms
- demonstrated understanding of the role of the market in determining quantity or price for a monopoly
- recognised the need for, and consequences, of a regulation on the market
- applied the profit maximising rule accurately
- used marginal analysis to fully explain the impact of a change in P on Q
- demonstrated detailed understanding of the different short and long term situations for different market structures.

## **OTHER COMMENTS**

The standard refers to the use of marginal analysis. Candidates must be familiar with the idea of all firms producing where  $MR = MC$  and the impact on output and/or price after any change in the market.

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

### **ACHIEVEMENT**

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

- drew and labelled the AD/AS model correctly and accurately

- shifted the AD curve and/or AS curve correctly and labelled the curve and axes correctly
- recognised and explained the effects of a favourable exchange rate and/or a free trade agreement (FTA) on the macro-economy
- recognised and explained the effects of government policies such as improving productivity and/or decreased government spending on macro-economic goals
- recognised and explained the differing impacts of influences such as increased consumption and increased saving on the macro-economy.

## **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:**

- shifted and/or labelled the AD/AS model incorrectly
- referred to or used micro-economic concepts and models (such as Price, Quantity, Supply, Demand, AC, MC etc.)
- stated effects on macro-economic variables without providing adequate explanation or with incorrect statements
- attempted only parts of each question
- did not link correct economic ideas with the effects on the economic model or economic variables asked for in the question.

## **ACHIEVEMENT WITH MERIT**

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

- illustrated and explained in detail, how a favourable exchange rate and/or a free trade agreement would shift **both** the AD and AS curves, and the impact these have on the macro-economic goals of a balanced current account and/or full employment
- illustrated using the AD/AS model, and explained in detail, the effects of government policies such as improving productivity and/or decreased government spending on the macro-economic goals of economic growth and/or price stability
- explained in detail the differing impacts of influences such as increased consumption and increased saving on the macro-economy issues of economic growth and employment
- incorporated the AS/AD model and/or the business cycle model specifically in their explanations
- provided several economic ideas linked together in a coherent, accurate manner to give their explanations detail and depth.

## **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:**

- provided detailed, in-depth, accurate and logical explanations consistently across all questions
- explained in sufficient detail the impact of a free trade agreement, using both Aggregate Demand and Supply, to enable an effective comparison of the differing impacts of the policy on the current account balance and full employment; and gave a justification for the FTA being more effective in balancing the current account

- used the AD/AS model to explain in detail the effects of improving productivity compared to decreased government spending, on economic growth and price stability, and providing a justified conclusion that improving productivity is a more effective policy
- compared and contrasted thoroughly, the positive and negative impacts of increased consumption and increased saving on economic growth, and used their explanations, including the business cycle, to make a justified conclusion that increased saving will be more effective at achieving sustained economic growth in the longer term
- thoroughly and accurately integrated the AD/AS model and/or the business cycle model into their explanations
- included sophisticated ideas to support their explanations. For example, the idea that the FTA is likely to impact more on exports than imports, due to better access to the huge global markets for our exports, and/or NZ is already a very deregulated economy for imports, so little may change.