

# **National Certificate of Educational Achievement**

## **2014 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 maximise their opportunities for success in the standard by attempting all parts of all questions, and providing explanations.

Each question contained a different context and candidates were required to use this context in their responses. Those who read and used the resource material provided were better able to link the economic terms together in a way that met the requirements of each question.

Candidates were generally able to show key skills in Economics such as completing schedules, showing movements along curves and showing shifts of curves. Although the standard of graphing is generally sufficient, there are many who are not following standard graphing conventions, particularly with regards to labelling changes along curves or shifts of curves.

Those who used correct terminology appropriate to the specific standard e.g. revenue, costs etc. were able to score higher grades.

Some candidates missed out on reaching higher grades due to incomplete wording of definitions or explanations.

## 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 commonly:**

- demonstrated understanding of economic theory by defining key terminology e.g. correctly defined terms such as scarcity and opportunity cost when discussing the economic problem
- constructed demand curves, using accurate labelling and other accepted conventions
- understood how changes in the determinants of demand affected demand
- used the appropriate context in some explanations.

#### 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 commonly:**

- failed to apply the resource material to their responses
- used terminology from other standards, for example, related goods instead of substitutes/complements and quantity supplied instead of quantity demanded
- repeated resource material in their response without re-working or adding any value
- incorrectly defined terms such as opportunity cost, law of demand, complements.

## **ACHIEVEMENT WITH MERIT**

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

- explained terms in the context of the questions e.g. using Ehsan and cooking lessons
- explained a flow-on effect of a change in a ceteris paribus condition
- made specific reference to graph changes (e.g.  $D_1$  to  $D_2$ ) as part of explanations
- explained the difference between change in quantity demanded and demand.

## **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 two valid compromises that satisfied both values
- made accurate and complete reference to the resource material
- calculated the effect on total spending of a price change
- fully explained flow-on effects in the context of the question.

## **OTHER COMMENTS**

Many candidates missed out on higher grades due to an incomplete definition e.g. opportunity cost should include the idea of an option "forgone".

## **90985 Demonstrate understanding of producer choices using supply**

### **ACHIEVEMENT**

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

- illustrated an accurate movement along the supply curve
- completed the supply schedule by referring to data from the graph
- described or explained key economic ideas such as the law of supply, ceteris paribus, related good/service
- showed a decrease or increase in supply as appropriate
- stated flow-on effect(s) in terms of an action taken in response to a change in quantity supplied or supply
- provided some answers in the context of information from the resource material.

### **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 commonly:**

- failed to apply the resource material to their responses
- used terminology from other standards, for example substitutes/complementary goods instead of related goods or quantity demanded instead of quantity supplied
- incorrectly defined key terms such as ceteris paribus, law of supply, productivity
- stated flow-on effect(s) that were not related to the initial event or actions taken
- shifted the supply curve in the wrong direction

- failed to understand that a change in an external factor leading to an increase in the costs of production resulted in a shift of the supply curve to the left, and incorrectly showed a movement along the supply curve.

### **ACHIEVEMENT WITH MERIT**

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

- provided price and quantity data and context in their responses e.g. when the price of house painting decreased from \$5000 to \$3000, Jessie's quantity supplied decreased from 9 houses to 6 houses painted 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 good rather than substitute/complement; referring to Jessie's house painting business rather than the producer
- showed an accurate movement along the supply curve with dotted lines and labels ( $P_1$ ,  $P_2$ ,  $Q_1$ ,  $Q_2$ ) and/or arrows
- explained the link between summer weather (environmental factor), higher profitability and an increase in supply, by referring to ideas such as painting more houses in a shorter timeframe, increasing productivity
- explained reasons for the law of supply, and how an external factor could lead to an increase in cost of production, resulting in a decrease in supply for house painting and why gardening (a related service) would then have an increase in supply
- explained flow-on effect(s) in terms of an action taken due to the initial change in quantity supplied or supply linked to the initial event.

### **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 commonly:**

- linked ideas in their answers using terms such as because, therefore, as a result of, this will mean etc., rather than giving a series of short answers
- fully explained relevant economic theory such as ceteris paribus e.g. ceteris paribus means all non-price factors, such as costs of production, are held constant, which means the only factor affecting the quantity supplied is a change in price
- fully explained reasons consistently with data, context and correct terminology e.g. in the context of Jessie, house painting and/or gardening, laying off workers or making them redundant instead of 'firing' workers, using profit/income/revenue/cost, instead of money
- gave full answers that explained the reasons behind supply decisions e.g. if Jessie's house painting business is more profitable, she will have a greater ability to cover costs and therefore would be willing to supply more at each and every price
- integrated changes to revenue and cost to the various business situations given in each question and the effect they have on profit
- integrated changes on the supply graphs into their explanations e.g. consequently, Jessie's supply of house painting will fall as shown by a shift of the supply curve to the left from  $S$  to  $S_1$ , which indicates that Jessie supplies fewer painted houses 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.

## **OTHER COMMENTS**

Many candidates missed out on gaining higher grades due to incomplete definitions/ explanations e.g. when explaining a change in supply using quantity supplied, candidates should include the idea of "at each and every price".

## **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 commonly:**

- demonstrated basic graphing skills (although many lack standard conventions such as arrows and labels)
- identified a surplus
- explained what was shown on the graph e.g. supply decreased
- made appropriate changes on the graph.

### **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 commonly:**

- incorrectly plotted points when graphing
- did not label market equilibrium on the graph
- failed to shift the correct curve or shifted both curves when this is not appropriate to the question
- confused economic terms e.g. demand and quantity demanded, profit and revenue
- confused quantities on the graph or read units incorrectly
- could not demonstrate the impact of a government intervention 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 commonly:**

- applied the laws of demand and supply to specific situations
- applied the context of the question to the answer e.g. matched the decrease in supply to the drought
- calculated the impact of a subsidy accurately
- accurately explained who would impact the price e.g. consumers bidding up the price to obtain the goods or producers reducing the price to clear excess stock
- could explain the steps to restore equilibrium
- used data to reinforce their answer.

## **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 commonly:**

- used correct economic terminology and could apply full definitions of the law of demand and supply (including ceteris paribus) with correct data
- explained the impact of a change in quantity demanded on affordability and the impact of a change in quantity supplied on profitability
- could accurately explain how revenue was calculated and could identify how to decipher this from the graph i.e. in relation of the proportion of the change
- could apply the impact of a subsidy (through calculations) to the change in price and impact on consumer spending, producer revenue and the short and long term impact on the government
- could clearly explain the flow-on effect of the change.

## **OTHER COMMENTS**

Many candidates used terms such as revenue and profit interchangeably and subsequently are often using them incorrectly e.g. revenue falls because costs have increased, as opposed to profit falls because costs have increased.