# 2024 NCEA Assessment Report

**Subject:**                                    Economics

**Level:**                                        3

**Achievement standard(s):**        91399, 91400, 91403

## General commentary

The assessment consisted of three questions per standard, and candidates were required to answer all three. Candidates were required to make changes to graphs and then provide written explanations, making specific graph references. Each question was scaffolded by breaking the question down into different parts.

Candidates who achieved at a higher level fully integrated their answers by incorporating relevant definitions, giving multiple reasons and / or examples in their explanations, and referring to specific labels or 'anchor points' for example, the firm's output increased from $Q_e$ to $Q_1$.

Candidates were successful when they wrote detailed, complete explanations, used specific economic language, and included relevant information.

The importance of reading questions, instructions, and resource materials thoroughly needs to be emphasised to candidates.

## Report on individual achievement standards

### Achievement standard 91399: Demonstrate understanding of the efficiency of market equilibrium

#### Assessment

Question One required candidates to explain the impact on consumer surplus, producer surplus, and allocative efficiency with an increase in the world price for a product New Zealand exports.

Question Two was about an increase in indirect tax on alcoholic drinks. It required candidates to explain how market forces would restore equilibrium. Candidates were required to explain the impact of the increase in indirect tax on consumer surplus, producer surplus, and allocative efficiency.

Question Three was about maximum price control on grocery items. Candidates were expected to compare and contrast the impact on consumers, producers, and allocative efficiency, if the grocery item was elastic or inelastic.

All three questions required the use of an economic model, either through graphing, calculation of values, or identifying of areas. Candidates were expected to incorporate specific graph references, or values from tables and calculations, and use appropriate economic terminology in their explanations.

## Commentary

Many candidates omitted key elements such as consumer surplus, producer surplus, and allocative efficiency in their explanations; this, along with not correctly referring to the graph or table in their explanations, resulted in lower grades. With better application of basic principles of affordability and profitability, some candidates' explanations of how market forces restore equilibrium would greatly improve.

## Grade awarding

Candidates who were awarded **Achievement** commonly:
- identified changes in consumer surplus or producer surplus with a reason
- identified changes but did not refer to the graph or table in their explanations
- stated economic terminology with limited explanation of why or how something happened.

Candidates who were awarded **Achievement with Merit** commonly:
- applied economic terminology in their explanations and provided reasons why there was a change in consumer surplus or producer surplus
- referred to multiple points on the graph when explaining the changes shown
- interpreted and drew graphs accurately
- used basic economic concepts of affordability and profitability in their explanations
- differentiated between demand and quantity demanded, and supply and quantity supplied.

Candidates who were awarded **Achievement with Excellence** commonly:
- explained fully, the changes in consumer surplus, producer surplus, and allocative efficiency including applying knowledge of offset between price, quantity, and surpluses
- integrated the changes shown on the graphs and / or table in their detailed explanations
- provided accurate economic definitions and correctly applied these to their detailed explanations
- applied knowledge of offset between price and quantity to the changes in CS, PS, and AE.

Candidates who were awarded **Not Achieved** commonly:
- did not identify changes in consumer surplus, producer surplus, or allocative efficiency
- did not correctly interpret or draw graphs
- did not show understanding of the market forces
- did not calculate the values from the graph
- did not complete either whole questions or significant parts of questions.

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## Achievement standard 91400: Demonstrate understanding of the efficiency of different market structures using marginal analysis

### Assessment

Question One required candidates to explain, referring to characteristics of perfect competition and using marginal analysis, how a perfectly competitive firm reaches its long run equilibrium. It also required candidates to compare and contrast the market and firms' output levels as a result of severe weather events disrupting production.

Question Two required candidates to explain, referring to its characteristics, the short run and long run output, price and profit levels for a monopoly. It also required candidates to explain, using marginal analysis, what happens to the long run profit and output levels as a result of falling demand.

Question Three required candidates to explain the impact of different pricing options (profit maximising, average cost and marginal cost pricing) on consumers, allocative efficiency, and the Government.

All three questions required the use of an economic model, through either graphing or explanation of the model. Candidates were expected to incorporate specific graph references and use appropriate economic terminology in their explanations.

## Commentary

On the whole, candidates produced the accurate graphing work and marginal analysis explanations, as well as short run and long run explanations for both perfect competition and monopoly. Vague language should be avoided such as stating that consumers are best off under marginal cost pricing due to the "massive" consumer surplus rather than saying largest.

## Grade awarding

Candidates who were awarded **Achievement** commonly:
- showed changes on graphs, including shading and labelling the changes
- linked the characteristics of perfect competition and monopoly to the reason for their long run price, profit, and output levels rather than merely stating the characteristics at the start of their response
- referred to marginal analysis, including at least one key aspect of the marginal analysis explanation (i.e. either MR>MC or missing marginal profits or increase output to $Q_1$ where profits are maximised at $MR_1=MC$)
- explained that consumers are best off under marginal cost pricing due to the largest CS
- explained that consumers are worst off under profit maximising due to the smallest CS
- explained that the market is most efficient under marginal cost pricing
- explained that the market is least efficient under profit maximising.

Candidates who were awarded **Achievement with Merit** commonly:
- included more detail in their explanation for example, stating why or how consumer surplus is largest under MC pricing because the price consumers pay is the lowest (meaning the difference between the price consumers are willing to pay and what they actually pay is the largest) and the quantity they consume is highest of the three pricing options (giving them the most units from which to gain surplus)
- made correct changes to graphs and referred to specific labels from the graph in their explanations
- referred to missing out on marginal profits and making marginal losses when applying marginal analysis
- included multiple graph references and correct economic terminology in their explanations
- referred to relevant information from the resource material.

Candidates who were awarded **Achievement with Excellence** commonly:
- integrated relevant and accurate graph references, correct economic terminology, and key market characteristics throughout detailed explanations
- gave multiple valid reasons for their answers when explaining changes in consumer surplus, allocative efficiency, price, profit, and output
- consistently used marginal analysis accurately in their explanations by using phrases like at the original output of Qe $MR_1$>MC which means the firm is missing out on marginal profits, in order to profit maximise it will increase output to Q1 i.e. at the new profit maximising point of $MC=MR_1$.

Candidates who were awarded **Not Achieved** commonly:
- made inaccurate changes to graphs for example, error in the labelling the long run price and quantity for the monopoly (which should equal the original short run price and quantity respectively) and adding an MC curve that does not intersect AC curve at AC's minimum point
- listed characteristics of perfect competition and monopoly rather than explaining how those characteristics affected what the firm did for example, due the subnormal profits, some firms leave the market; they are able to because there are no barriers (note not weak barriers or other synonyms) to exit, which leads to a decrease in supply resulting in the price increasing
- did not use marginal analysis in their responses
- did not refer to D=S or DWL when explaining allocatively efficiency
- did not complete whole questions or significant parts of questions.

## Achievement standard 91403: Demonstrate understanding of macro-economic influences on the New Zealand economy

### Assessment

Question One required candidates to use the aggregate demand and aggregate supply model to explain the impact of higher net migration on economic growth and price stability. Candidates were also required to explain how the impact on price stability might influence the Reserve Bank's monetary policy decisions.

Question Two required candidates to use the circular flow model and the multiplier to explain the impact of expansionary fiscal policy (tax cuts and infrastructure spending) on economic growth, and why infrastructure spending could create a larger impact (on economic growth) compared to tax cuts. Candidates were also required to use the circular flow model and the multiplier to explain the final impact on economic growth of a free trade agreement.

Question Three required candidates to use the aggregate demand and aggregate supply model to explain the impact of falling house prices and rising fuel prices on inflation and employment. Candidates were also required to explain which of falling house prices and rising fuel prices will have a greater impact on inflation and employment.

All three questions required the use of an economic model, through either graphing or explanation of the model, and were scaffolded by breaking the question into parts. Candidates were expected to use appropriate economic terminology and their knowledge of the contemporary New Zealand economy.

### Commentary

Candidates, on the whole, demonstrated a good understanding of both AD / AS and monetary policy, although competency in the use of the circular flow model and the multiplier was not consistent across the cohort. Accuracy in the definitions of macro-economic concepts is an area that needs improvement. Many candidates did not note the difference between declining and negative growth.

Those who achieved at higher levels used appropriate economic terminology and demonstrated knowledge of the contemporary New Zealand economy. They communicated clearly and coherently – a concise response containing relevant content – rather than reproducing everything they knew about a topic.

Candidates who did not achieve did not show understanding of the resource material or economic models provided, attempted only parts of a question, and used little economic knowledge or terminology in their explanations.

## Grade awarding

Candidates who were awarded **Achievement** commonly:
- showed changes on graphs, including labelling the changes
- made accurate calculations
- accurately defined and applied macroeconomic concepts
- applied the components of both AD and AS.

Candidates who were awarded **Achievement with Merit** commonly:
- included multiple graph references and reasons for changes to models in their explanations
- provided additional detail such as a reason or examples for their explanations
- referred to relevant information from the resource material
- made links between the different parts of a question
- differentiated between short and long term
- summed up their answer with a concluding statement in longer questions.

Candidates who were awarded **Achievement with Excellence** commonly:
- demonstrated strong knowledge and use of economic models and concepts, especially the circular flow model and the multiplier
- provided additional detail with clear and accurate reasons for their explanations
- integrated the resource material and economic models into their detailed explanations
- demonstrated accuracy, with no errors or omissions especially with calculations and model changes
- identified the relationship between AD and AS, and their relative shifts, and between short and long term impacts
- wrote with fluency.

Candidates who were awarded **Not Achieved** commonly:
- did not define economic concepts
- shifted curves inaccurately and / or did not label their changes
- confused increase and decrease or shifts to the right and left
- did not show understanding of or did not use the resource material
- did not complete either whole questions or significant parts of questions.