

Assessment Schedule – 2011

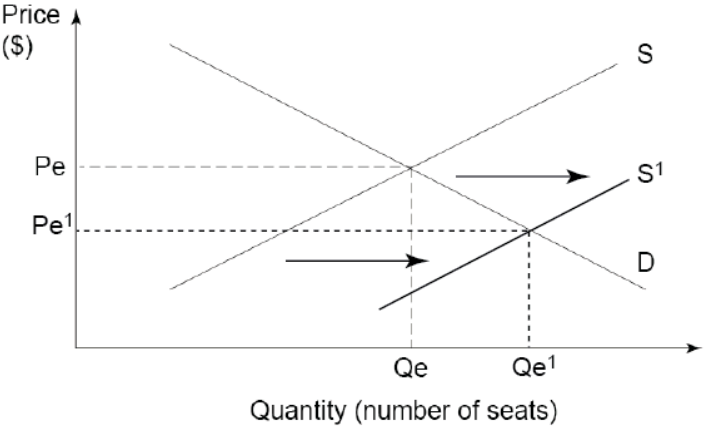
Economics: Demonstrate understanding of how consumer, producer and/or government choices affect society, using market equilibrium (90986)

Evidence Statement

Question	Evidence statement
<p>ONE</p>	<p>(a)</p> <p>The market for one-way flights between Auckland and Wellington</p> <p>Price (\$)</p> <p>Number of seats per day</p> <p>Q_e</p> <p>P_e</p>
	<p>(b)</p> <p>The market for one-way flights between Auckland and Wellington</p> <p>Price (\$)</p> <p>Number of seats per day</p> <p>Q_s</p> <p>Q_d</p> <p>Shortage</p>
	<p>(c)</p> <p>At \$100 there is a shortage of 1 500 seats as there are 2 500 seats demanded but only 1 000 seats supplied. Airline passengers will bid the price up as they try to get the available seats.</p> <p>As the price rises, quantity demanded will fall as some travellers cannot afford to buy more expensive seats. Meanwhile, airlines will put on more flights as flights will now be more profitable.</p> <p>The price will continue to rise until it reaches \$130 where quantity demanded will equal quantity supplied of 1 750 seats per day.</p>

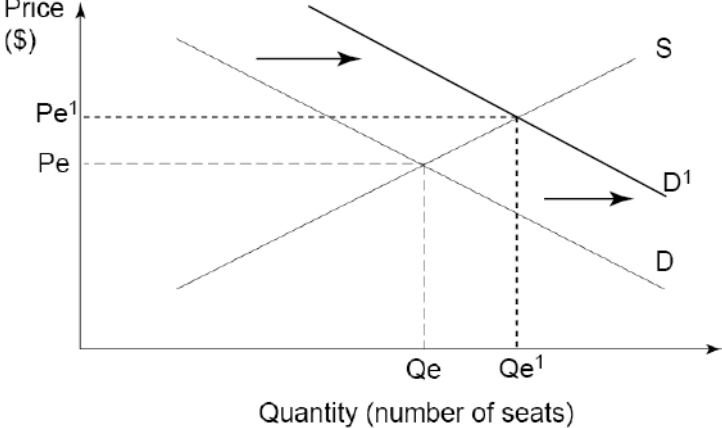
N1	N2	A3	A4	M5	M6	E7	E8
<p>Shows partial understanding with only ONE of:</p> <ul style="list-style-type: none"> • correct plotting of most points • identifies a shortage • describes a shortage • identifies a rise in price. 	<p>Shows partial understanding with TWO of:</p> <ul style="list-style-type: none"> • correct plotting of most points • identifies a shortage • describes a shortage • identifies a rise in price. 	<p>Shows understanding with correct plotting of all points, and ONE of:</p> <ul style="list-style-type: none"> • identifies a shortage • describes a shortage • identifies a rise in price. 	<p>Shows breadth of understanding with correct plotting of all points, and TWO of:</p> <ul style="list-style-type: none"> • identifies a shortage • describes a shortage • identifies a rise in price. 	<p>Detailed explanation of how equilibrium is restored.</p> <p>Any THREE of:</p> <ul style="list-style-type: none"> • uses data to identify a shortage • explains the shortage ie $Q_d > Q_s$ • explains why price will increase (ie. consumer will bid up price) • Increase in P so Q_d falls • Increase in P so Q_s increases. 	<p>Detailed explanation of how equilibrium is restored.</p> <p>Any FOUR of ;</p> <ul style="list-style-type: none"> • uses data to identify a shortage • explains the shortage ie $Q_d > Q_s$ • explains why price will increase (ie consumer will bid up price) • Increase in P so Q_d falls • Increase in P so Q_s increases. 	<p>Comprehensive explanation of how equilibrium is restored with some reference to data / graph.</p> <p>Only minor errors in use of economic terms.</p> <ul style="list-style-type: none"> • explains shortage using data - calculates size of shortage • explains why price will increase (ie consumer will bid up price) • applies Law of Supply (ie $P \uparrow Q_s \uparrow$) <p>AND</p> <ul style="list-style-type: none"> • applies Law of Demand (ie $P \uparrow Q_d \downarrow$) • until market clears, $Q_s = Q_d$, equilibrium restored – figures not required. 	<p>Comprehensive explanation of how equilibrium is restored with specific reference to data / graph.</p> <p>Uses appropriate economic terms.</p> <ul style="list-style-type: none"> • explains shortage using data calculates size of shortage • consumer will bid up price to obtain available seats • applies Law of Supply (ie $P \uparrow Q_s \uparrow$) • applies Law of Demand (ie $P \uparrow Q_d \downarrow$) <p>AND</p> <ul style="list-style-type: none"> • equilibrium restored at \$130 & $Q_e = 1750$.

N0 = No response; no relevant evidence.

Question	Evidence statement
<p>TWO</p>	<p>(a)</p> <p>Market supply is the supply of all the firms in the market. In this case, it is the number of seats on all airlines supplied at each price. With more airlines providing more flights across the Tasman, the market supply will increase, and the market supply curve will shift to the right.</p>
	<p>(b)</p> <p>Weekly market for trans-Tasman airline flights</p>  <p>With more airlines providing flights, the supply of seats will rise. This will create a surplus of flights / seats at the existing equilibrium price. As a result, the airlines will reduce their prices in order to fill the excess seats. With cheaper seats available, the quantity of seats demanded will rise as consumers grab cheap deals. As a result, the price of trans-Tasman seats will fall and more seats will be supplied and demanded.</p> <p>Trans-Tasman consumers will be better off as they can now get cheaper seats to Australia with more choice of airlines, such as Jetstar, Air New Zealand or Pacific Blue, and a range of flights times and departure points. Consumers will be able to visit relatives or sightsee in Australia more easily.</p>

N1	N2	A3	A4	M5	M6	E7	E8
<p>Shows partial understanding with only ONE of:</p> <ul style="list-style-type: none"> explains market supply states that market supply will rise shifts supply curve to right identifies a fall in price. 	<p>Shows partial understanding with TWO of:</p> <ul style="list-style-type: none"> explains market supply states that market supply will rise shifts supply curve to right identifies a fall in price. 	<p>Shows understanding with THREE of:</p> <ul style="list-style-type: none"> explains market supply states that market supply will rise shifts supply curve to right identifies a fall in price. 	<p>Shows breadth of understanding with FOUR of:</p> <ul style="list-style-type: none"> explains market supply states that market supply will rise shifts supply curve to right identifies a fall in price. 	<p>Detailed explanation of the change in supply.</p> <ul style="list-style-type: none"> shifts S to the right , new equilibrium identified <p><i>AND</i></p> <p>Explains TWO of:</p> <ul style="list-style-type: none"> market supply rising due to greater number of flights fall in price due to excess supply producers lower price to clear market Qd (not D) increases benefit to consumer. 	<p>Detailed explanation of the change in supply.</p> <ul style="list-style-type: none"> shifts S to the right, new equilibrium identified <p><i>AND</i></p> <p>Explains THREE of:</p> <ul style="list-style-type: none"> market supply rising due to greater number of flights fall in price due to excess supply producers lower price to clear market Qd (not D) increases benefit to consumer. 	<p>Comprehensive explanation of the effect of a change in supply on market equilibrium and consumers.</p> <p>Mostly in context.</p> <p>Only minor errors in use of economic terms.</p> <ul style="list-style-type: none"> links reasons for increased market supply to shift of supply to right links fall in price to excess supply and producers' reasons for decreasing prices. <p>Refers to the process using:</p> <ul style="list-style-type: none"> quantity demanded effect of falling prices <i>OR</i> more seats for the consumer. 	<p>Comprehensive explanation of the effect of a change in supply on market equilibrium and consumers in context.</p> <p>Uses appropriate economic terms eg Quantity demanded not demand.</p> <ul style="list-style-type: none"> links reasons for increased market supply to shift of supply to right links fall in price to excess supply and producers' reasons for decreasing prices. <p>Refers to the process using:</p> <ul style="list-style-type: none"> quantity demanded effect of falling prices <p><i>AND</i></p> <ul style="list-style-type: none"> more seats for the consumer.

N0 = No response; no relevant evidence.

Question	Evidence statement
<p>THREE</p>	<p>(a)</p> <p>Weekly market for New Zealand airline flights</p>  <p>Price (\$)</p> <p>Pe¹</p> <p>Pe</p> <p>Quantity (number of seats)</p> <p>Qe</p> <p>Qe¹</p> <p>S</p> <p>D¹</p> <p>D</p>
	<p>(b)</p> <p>With more visitors coming to New Zealand for games across the country, there is greater demand for air travel to attend the games.</p> <p>There will be a shortage of seats.</p> <p>With greater demand for flights, and fans having to be at the games at a certain time, airlines can raise their prices from Pe to Pe¹. With a higher price, airlines will also put on more flights from Qe to Qe¹ in order to raise more profits.</p> <p>The airlines will increase profits because they are filling more seats and for each seat charging more, so revenue will rise. Profits is the difference between revenue and costs, so with more revenue, profits will rise.</p>

N1	N2	A3	A4	M5	M6	E7	E8
<p>Shows partial understanding with only ONE of:</p> <ul style="list-style-type: none"> • shifts the demand curve to the right • states a rise in the market demand • identifies a rise in price • labels a rise in Q. 	<p>Shows partial understanding with TWO of:</p> <ul style="list-style-type: none"> • shifts the demand curve to the right • states a rise in the market demand • identifies a rise in price • labels a rise in Q. 	<p>Shows understanding with ALL of</p> <ul style="list-style-type: none"> • shifts the demand curve to the right • states a rise in the market demand • identifies a rise in price • labels a rise in Q. 	<p>Shows breadth of understanding by:</p> <ul style="list-style-type: none"> • shifts D to the right, new equilibrium <p><i>AND</i></p> <p>Partially explains TWO of:</p> <ul style="list-style-type: none"> • market demand rising due to RWC • rise in price is due to excess demand • increased prices leads to increased profit • increased seats/Q/Qd/Qs/ Qe leads to increased profits 	<p>Detailed explanation of the effect on equilibrium:</p> <ul style="list-style-type: none"> • shifts D to the right, new equilibrium <p><i>AND</i></p> <p>Explains THREE of:</p> <ul style="list-style-type: none"> • market demand rising due to the RWC • rise in price is due to excess demand • consumers bidding up prices • increased prices leads to increased profit • increased seats/Q/Qd/Qs/ Qe leads to increased profits 	<p>Detailed explanation of the effect on equilibrium:</p> <ul style="list-style-type: none"> • shifts D to the right, labels new equilibrium <p><i>AND</i></p> <p>Explains FOUR of:</p> <ul style="list-style-type: none"> • market demand rising due to the RWC • rise in price is due to excess demand • consumers bidding up prices • increased prices leads to increased profit • increased seats/Q/Qd/Qs/ Qe leads to increased profits 	<p>Comprehensive explanation of the effect of the RWC on the airline industry. Mostly in context.</p> <p>Only minor errors in use of economic terms.</p> <ul style="list-style-type: none"> • links reasons for increased market demand to shift of demand to right • links rise in price to excess demand and consumers bidding up prices <p>Refers to the process using:</p> <ul style="list-style-type: none"> • increased prices increase quantity supplied • effect of rising prices <i>OR</i> more seats on the airlines. 	<p>Comprehensive explanation of the effect of the RWC on the airline industry in context.</p> <p>Uses appropriate economic terms eg Quantity supplied not supply.</p> <ul style="list-style-type: none"> • links reasons for increased market demand to shift of demand to right • links rise in price to excess demand and consumers bidding up prices <p>Refers to the process using</p> <ul style="list-style-type: none"> • increased prices increase quantity supplied • effect of rising prices, <i>AND</i> more seats on the airlines.

N0 = No response; no relevant evidence.

Question	Evidence statement
<p>FOUR (a)</p>	<p style="text-align: center;">Market for daily trans-Tasman airline flights</p> <p>The graph shows a downward-sloping demand curve (D) and two upward-sloping supply curves (S and S'). The vertical axis represents Price (\$) and the horizontal axis represents Quantity (number of seats). The initial equilibrium is at a price of \$200 (Pe) and a quantity of 20,000 seats (Qe). After a tax is applied, the supply curve shifts to S', and the new equilibrium is at a price of \$225 (Pe1) and a quantity of 17,500 seats (Qe1). The tax amount is \$25, shown as the vertical distance between S and S'.</p>
(b)	<p>Quantity consumers buy – Before: 20 000; After: 17 500</p> <p>Price consumers pay – Before: \$200; After: \$225</p> <p>Price producers receive – Before: \$200; After: \$175</p> <p>Government: \$875 000</p>
(c)	<p>The price paid by consumers will rise as airlines pass some of the tax onto the consumer (\$25). The producers' price will fall as tax is paid over to the government (and not all can be passed onto the consumer ie \$25). The government will gain tax of \$50 per seat and now that 17 500 seats are sold per month they will get revenue of \$875 000 per month. This is money that can be used to help reduce the environmental cost created by planes or research into alternative fuels or used to improve airports or for other government spending areas.</p>

N1	N2	A3	A4	M5	M6	E7	E8
Shows partial understanding with only ONE of: <ul style="list-style-type: none"> shifts the supply curve to the left labels a higher price labels a lower quantity. 	Shows partial understanding with TWO of: <ul style="list-style-type: none"> shifts the supply curve to the left labels a higher price labels a lower quantity. 	Shows understanding with ALL of: <ul style="list-style-type: none"> shifts the supply curve to the left labels a higher price labels a lower quantity. 	Shows breadth of understanding with ALL of: <ul style="list-style-type: none"> shifts the supply curve to the left labels a higher price labels a lower quantity AND TWO of: <ul style="list-style-type: none"> quantity consumers buy before and after price consumers pay before and after price producers receive before and after government revenue (Allow for carry-through errors).	Detailed explanation of effect of sales tax. <ul style="list-style-type: none"> shifts S to the left correctly AND Explains by correctly stating THREE of: <ul style="list-style-type: none"> quantity consumers buy before and after price consumers pay before and after price producers receive before and after government revenue. 	Detailed explanation of effect of sales tax. <ul style="list-style-type: none"> shifts S to the left correctly AND Explains by correctly stating FOUR of: <ul style="list-style-type: none"> quantity consumers buy before and after price consumers pay before and after price producers receive before and after government revenue. 	Comprehensive explanation of the effect of sales tax by explaining THREE of: <ul style="list-style-type: none"> price consumers pay before and after price producers receive before and after quantity consumers buy before and after government revenue AND the benefit to society of the tax revenue Figures correct but not required to be repeated in the explanation; minor error in terms or <i>specific terminology omitted</i> .	Comprehensive explanation of the effect of sales tax by explaining THREE of: <ul style="list-style-type: none"> price consumers pay before and after price producers receive before and after quantity consumers buy before and after government revenue AND the benefit to society of the tax revenue Figures and economic terms are correct and at least two figures cited in paragraph.

N0 = No response; no relevant evidence.

Judgement Statement

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 9	10 - 18	19 - 24	25 - 32