

Assessment Schedule – 2016

Economics: Demonstrate understanding of producer choices using supply (90985)

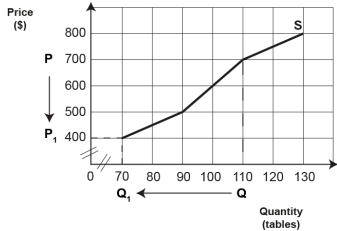
Assessment Criteria

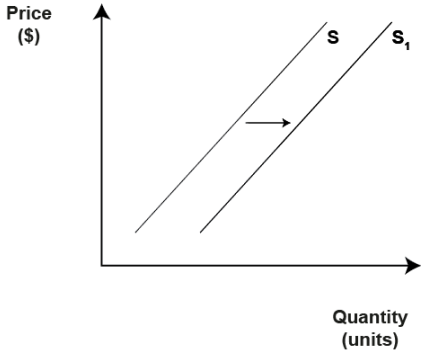
Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrate understanding</i> involves:</p> <ul style="list-style-type: none"> defining, identifying, describing or providing an explanation of choices a producer makes in response to a change in internal or external factors affecting supply identifying, describing, or providing an explanation of the flow-on effects for the producer clearly illustrating changes using the supply model. 	<p><i>Demonstrate in-depth understanding</i> involves:</p> <ul style="list-style-type: none"> providing a detailed explanation, using supply, of choices a producer makes in response to a change in internal or external factors affecting supply providing a detailed explanation of the flow-on effects for the producer. 	<p><i>Demonstrate comprehensive understanding</i> involves:</p> <ul style="list-style-type: none"> linking detailed explanations of the flow-on effects for the producer with detailed explanations of choices a producer makes in response to a change in internal or external factors affecting supply integrating changes in supply into detailed explanations.

Grade Score Descriptors

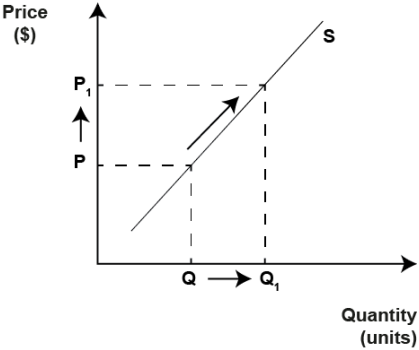
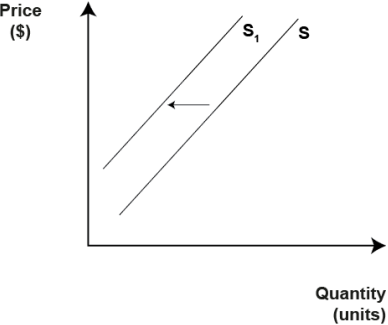
N0	N1	N2	A3	A4	M5	M6	E7	E8
No response; no relevant evidence.	Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence, at least one explanation.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part may be weaker.	All points covered.

NB: Each question should be read as a whole before awarding a grade.

Q 1	Sample answers / Evidence														
(a) (b)	<p>Fancy Furniture's monthly supply of dining tables</p> <table border="1" data-bbox="311 201 902 427"> <thead> <tr> <th>Price (\$)</th> <th>Quantity (tables)</th> </tr> </thead> <tbody> <tr> <td>400</td> <td>70</td> </tr> <tr> <td>500</td> <td>90</td> </tr> <tr> <td>600</td> <td>100</td> </tr> <tr> <td>700</td> <td>110</td> </tr> <tr> <td>800</td> <td>130</td> </tr> </tbody> </table>	Price (\$)	Quantity (tables)	400	70	500	90	600	100	700	110	800	130	<p>Fancy Furniture's monthly supply of dining furniture</p> 	
Price (\$)	Quantity (tables)														
400	70														
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600	100														
700	110														
800	130														
(c)	<p>The law of supply says that as the price of dining tables decreases from \$700 (P) to \$400 (P₁), the quantity of dining tables <i>Fancy Furniture</i> supplies per month will decrease from 110 (Q) to 70 (Q₁), assuming ceteris paribus.</p> <p>Ceteris paribus means that all other factors remain unchanged, so the price change for dining tables is the only thing that determines the change in <i>Fancy Furniture's</i> quantity of dining tables supplied. Other factors that remain unchanged could include the cost of materials, electricity prices, price of related goods, wage rates, etc.</p> <p>As the price of dining tables decreases, <i>Fancy Furniture</i> is less able to cover the costs of producing dining tables, such as wages. This means dining table production becomes less profitable for <i>Fancy Furniture</i> because the difference between revenue and costs is smaller. Because it is less profitable at the lower price of \$400, <i>Fancy Furniture</i> will decrease the quantity of dining tables it supplies.</p>														
(d)	<p>Possible flow-on effects:</p> <ul style="list-style-type: none"> • Since now fewer dining tables are being produced each month, <i>Fancy Furniture</i> will not need as many employees and might reduce their hours or lay off some workers. • <i>Fancy Furniture</i> will reduce its order of supplies, as it will not need as much as when it was making more tables. • <i>Fancy Furniture</i> might need to refinance its debt because its revenue will fall with the smaller number of tables being produced, and it might be less able to meet its current repayments. • As a result of dining tables becoming less profitable to make, <i>Fancy Furniture</i> might divert some / all resources to the production of a related good (like study desks) that is relatively more profitable, because they already have the expertise and equipment. 														
Achievement		Achievement with Merit	Achievement with Excellence												
<p>Demonstrates understanding by:</p> <ul style="list-style-type: none"> • accurately completing the supply schedule • identifying accurate movement down the supply curve • describing the law of supply • describing ceteris paribus • explaining a reason for the law of supply • explaining flow on effect(s). 		<p>Detailed explanation, which includes:</p> <ul style="list-style-type: none"> • fully explaining the law of supply and the idea of increased profitability and using data in context • describing ceteris paribus in the context of supply • fully explaining flow-on effect(s). <p>Candidate uses detailed explanations, and makes some reference to the graph.</p>	<p>Comprehensive explanation, which includes:</p> <ul style="list-style-type: none"> • fully explaining the law of supply, referring to lower profitability with revenue and cost • explaining ceteris paribus with an example • fully explaining TWO flow-on effects. <p>Candidate refers to the changes on the graph and uses correct economic terminology.</p>												

Question Two	Sample answers / Evidence
(a)	<p>Fancy Furniture's annual supply of dining furniture</p>  <p>The graph shows a supply curve for dining furniture. The vertical axis is labeled 'Price (\$)' and the horizontal axis is labeled 'Quantity (units)'. Two parallel upward-sloping lines are shown, labeled 'S' and 'S₁'. An arrow points from 'S' to 'S₁', indicating a rightward shift in the supply curve.</p>
(b)	<p>The raising of acceptable noise level will mean that <i>Fancy Furniture</i> can make more noise than was previously allowed and also operate noisy power tools for longer hours. This will mean it won't be as restricted in how it produces its furniture and it might produce more in a day because it can operate machinery for longer. This would increase the revenue of <i>Fancy Furniture</i> because it has more pieces to sell. Not all expenses will increase with the extra operating hours, so profit will increase. <i>Fancy Furniture</i> can now purchase better machinery that may be louder to operate but is faster and increases the productivity of <i>Fancy Furniture's</i> factory, meaning they can produce more furniture in less time and therefore decrease costs of production, as electricity and wage costs would decrease per piece of furniture.</p> <p>This will make producing furniture more profitable and <i>Fancy Furniture</i> will increase its supply of dining furniture, which will shift the supply curve right from S to S₁.</p>
(c)	<p>Possible flow-on effects:</p> <ul style="list-style-type: none"> • As a result of the change in supply of dining furniture, <i>Fancy Furniture</i> might increase the hours worked per day by its employees to make the increased number of tables. • Increase advertising of the furniture to generate more customers to buy the greater number of pieces of furniture. • Order more materials such as wood, varnish, nails etc from its suppliers in order to make the greater number of tables. • Improve the lighting in the factory because they will be operating later into the evening and it will be darker and the existing lighting might not be adequate. • Investigate possible options for exporting, now that <i>Fancy Furniture</i> is in a better position to supply beyond the domestic market. • Buy additional protection for staff, such as ear muffs, because now that the factory will be noisier, <i>Fancy Furniture</i> needs to avoid any suffering of adverse effects from increased noise exposure.

Achievement	Achievement with Merit	Achievement with Excellence
<p>Demonstrates understanding by:</p> <ul style="list-style-type: none"> • shifting supply curve to the right • identifying an increase in supply of dining furniture • explaining a link between the relaxed noise restriction regulation and increased supply • explaining flow-on effect(s). 	<p>Detailed explanation, which includes:</p> <ul style="list-style-type: none"> • showing the shift correctly with appropriate labelling • linking the relaxed noise restriction regulation to an increase in production, profitability and supply using an example e.g. using power tools later into the night • fully explaining flow-on effect(s) linked to the increase in supply. <p>Candidate uses detailed explanations, and makes some reference to the graph.</p>	<p>Comprehensive explanation, which includes:</p> <ul style="list-style-type: none"> • clearly linking the relaxed noise restriction regulation to a rise in production, profitability (by referring to revenue or costs) and supply, using an example • fully explaining TWO flow-on effects clearly linked to the increase in supply. <p>Candidate refers to the changes on the graph and uses correct economic terminology.</p>

Question Three	Sample answers/Evidence
(a)	Dining furniture and office furniture are related goods because they might require similar materials such as wood, nails, and varnish, as well as equipment such as lathes, hammers, saws, etc and skills of workers.
(b)	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Fancy Furniture's annual supply of office furniture</p>  </div> <div style="text-align: center;"> <p>Fancy Furniture's annual supply of dining furniture</p>  </div> </div>
(c)	<p>When the price of office furniture increases from P to P₁, <i>Fancy Furniture</i> is likely to increase its quantity supplied of office furniture from Q to Q₁ because it would be more profitable for it to produce. (The difference between its revenue and costs of production is now greater.)</p> <p>With office furniture now more profitable to produce, <i>Fancy Furniture</i> will devote more of its time, machinery, and materials to making office furniture. Dining furniture is now relatively less profitable to produce than office furniture, as it has not experienced a similar change. Consequently, <i>Fancy Furniture's</i> supply of dining furniture will decrease, and the supply curve will shift to the left from S to S₁.</p>
(d)	<ul style="list-style-type: none"> • Because of the switch in production from dining furniture to office furniture, <i>Fancy Furniture</i> will need to change the supplies ordered so that they have sufficient materials suitable for the office furniture and do not have too much of those needed for dining furniture. • To prepare for the production of more office furniture, <i>Fancy Furniture</i> might need to hire or buy tools for the office furniture that it did not need for dining furniture. • In order to avoid inefficiencies in production, or breakdowns in machinery caused by inexperienced workers, <i>Fancy Furniture</i> might need to give some workers training on how to use different machinery when they switch from dining furniture to office furniture production • <i>Fancy Furniture</i> might change their advertising (e.g. where the advertising is placed), as now they would not need as many buyers for the dining furniture (as less is being made) and so will want to attract more businesses as customers for their office furniture.

Achievement	Achievement with Merit	Achievement with Excellence
<p>Demonstrates understanding by:</p> <ul style="list-style-type: none"> • explaining the idea of a related good • showing a movement up the office furniture supply curve, and shifting the dining furniture supply curve to the left • explaining decrease in supply of dining furniture, as office furniture becomes more profitable • explaining a flow-on effect. 	<p>Detailed explanation, which includes:</p> <ul style="list-style-type: none"> • correct changes to BOTH graphs with appropriate labelling • fully explaining the decrease in the supply of dining furniture with relative profitability idea OR switching of resources • fully explaining a flow-on effect. <p>Candidate uses detailed explanations, and makes some reference to the graphs.</p>	<p>Comprehensive explanation includes:</p> <ul style="list-style-type: none"> • clearly linking the price change with increase quantity supplied of office furniture and decreased supply of dining furniture using relative profitability and switching of resources • fully explaining a flow-on effect. <p>Candidate refers to the changes on the graphs and uses correct economic terminology.</p>

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 6	7 – 12	13 – 18	19 – 24