

Assessment Schedule – 2018

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

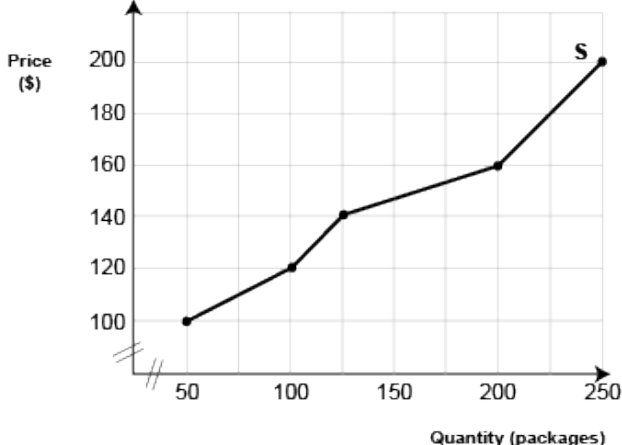
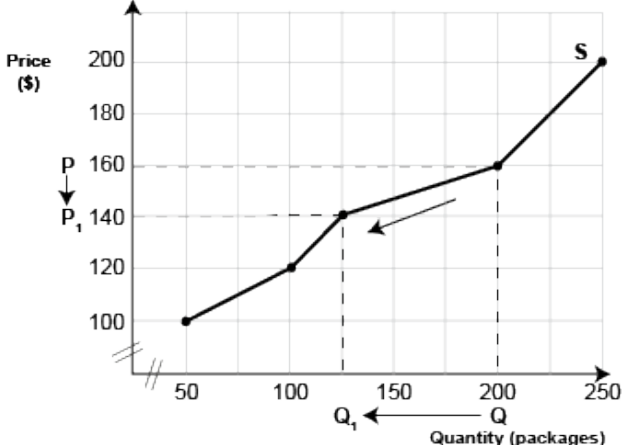
Evidence Statement

Assessment Criteria

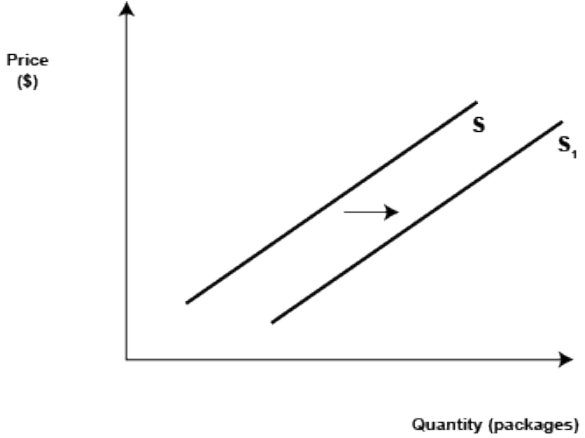
Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrate understanding</i> involves:</p> <ul style="list-style-type: none"> defining, identifying, describing or providing an explanation of choices a producer makes in response to a change in internal or external factors affecting 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.

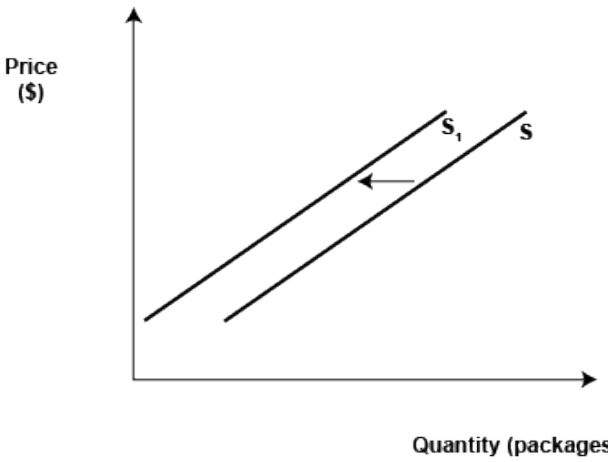
N0	N1	N2	A3	A4	M5	M6	E7	E8
No response; no relevant evidence.	Very little Achievement evidence.	Some Achievement evidence, partial explanations.	Most Achievement evidence, at least one explanation.	Nearly all Achievement evidence.	Some Merit evidence.	Most Merit evidence.	Excellence evidence. One part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

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

<p>ONE (a) (b)</p>	<div style="display: flex; justify-content: space-around;">   </div> <p>Title: My Meals weekly supply curve for dinner packages</p>
<p>(c)</p>	<p>The law of supply states that as the price of a good falls, the quantity supplied of that good will also fall, ceteris paribus. Ceteris paribus means that any other factor that affects the supply of that good is held constant. Examples include cost of wages or ingredients.</p> <p>In this case, the price of dinner packages was \$160 (P) and the quantity supplied was 200 (Q) dinner packages. When the price decreased to \$140 (P1), <i>My Meals</i> decreased their quantity supplied to 125 (Q1) dinner packages.</p> <p>As the price of dinner packages decreased, selling dinner packages became less profitable for <i>My Meals</i>. This is because the revenue earned was decreasing and so <i>My Meals</i> was less able to cover costs / gap between revenue and costs was decreasing.</p>
<p>(d)</p>	<p>Possible flow-on effects (arising from the fall in quantity supplied or the fall in profitability):</p> <ul style="list-style-type: none"> • Since now fewer dinner packages are being produced each month, <i>My Meals</i> will not need as many employees and might reduce their hours or lay off some workers. • <i>My Meals</i> will reduce its order of supplies because it will not need as much as when it was making more dinner packages. • <i>My Meals</i> might need to refinance its debt because its revenue will fall with the smaller number of packages being produced, and it might be less able to meet its current repayments. • As a result of dinner packages becoming less profitable to make, <i>My Meals</i> might divert some / all resources to the production of a related good (like lunch packs / desserts etc) that is relatively more profitable, because they already have the expertise and equipment. • <i>My Meals</i> might delay expansion or investment plans.

Achievement	Achievement with Merit	Achievement with Excellence
<p>Demonstrates understanding by:</p> <ul style="list-style-type: none"> • drawing the graph with FOUR correct requirements (from: title, points plotted correctly, line, S label, scale correct) • identifying accurate movement down the supply curve (dotted lines, labels, arrows) • describing the law of supply • describing ceteris paribus • explaining a decrease in the quantity of dinner packages supplied • explaining a flow-on effect. 	<p>Detailed explanation that includes:</p> <ul style="list-style-type: none"> • fully explaining the law of supply, with the idea of decreased profitability / revenue and with some reference to the information in the table or the graph • explaining ceteris paribus in the context of supply • explaining a flow-on effect for <i>My Meals</i>. <p>Most explanations in context.</p>	<p>Comprehensive explanation, including fully explaining:</p> <ul style="list-style-type: none"> • the law of supply in the context of the number of dinner packages supplied by <i>My Meals</i>, referring to decreased profitability with revenue and cost (with reference to the graph and/or the table) • a flow-on effect for <i>My Meals</i>. <p>Uses correct economic terminology and refers to the graph/table.</p>

Question	Sample answers / Evidence		
<p>TWO</p>	<p>(a)</p> 	<p>(b) The reduced price of vegetables means the costs of production will fall, making dinner packages more profitable (since profit is revenue minus costs). The increased profitability results in <i>My Meals</i> being more willing and able to supply a greater quantity of dinner packages at each and every price and is shown by a shift of the supply curve to the right, from S to S₁. (increased supply)</p> <p>(c) A related good is a good that can be produced with similar resources. For <i>My Meals</i>, a related good might be a dessert package / all meals (including lunch) for a week / package designed for a couple / package design for a large family, etc. This is a related good because it requires the same resources to produce (ovens, saucepans, staff skills, delivery van, ingredients, vegetables), and would face similar laws and regulations. Those existing resources could be transferred interchangeably between the meal packages and one of the new packages.</p>	
Achievement	Achievement with Merit	Achievement with Excellence	
<p>Demonstrates understanding by:</p> <ul style="list-style-type: none"> • shifting the supply curve for dinner packages to the right • identifying increase in supply of dinner packages • identifying a related good • explaining related goods. 	<p>Detailed explanation that includes:</p> <ul style="list-style-type: none"> • showing the shift to the right correctly, with appropriate labelling • fully explaining the increase in supply of dinner packages due to increased profitability idea • identifying and explaining a related good in context. <p>Uses detailed explanations and makes some reference to the graph.</p>	<p>Comprehensive explanation that includes:</p> <ul style="list-style-type: none"> • clearly linking the decrease in the cost of vegetables to an increased supply of dinner packages due to a decrease in cost of production, which increases relative profitability. Profit is explained as revenue less costs (or similar). • fully explaining and identifying a related good in context with specific examples of transferable resources. <p>Refers to the graph and uses correct economic terminology.</p>	

Question	Sample answers / Evidence		
<p>THREE (a)</p>			
(b)	<p>Chelsea (<i>My Meals</i>) is likely to supply fewer dinner packages because of the higher compliance costs associated with the health and safety regulations. For example, Chelsea has had to buy hairnets and more soap dispensers, and she has to spend time training staff about when and how to use these. With her costs rising, the difference between revenue and costs will fall, and dinner packages will be less profitable. As a result, she will be less inclined to offer dinner packages, as shown by a shift to the left of her supply curve, from S to S₁.</p>		
(c)	<p>Possible flow-on effects (related to change in supply):</p> <ul style="list-style-type: none"> • Because of the reduced supply of dinner packages, Chelsea may need to hire fewer employees. • Chelsea may decide to focus more on the delivery side of the business and focus on delivering pre-made items instead, so she doesn't have to worry about the regulations for food preparation. • Chelsea may need to employ a sales representative or increase her marketing to increase her orders. This will help justify her increase in costs. • Chelsea may look for cheaper suppliers of ingredients to try to keep costs lower / the impact of the increased costs to a minimum. • Chelsea might decide to expand her range to reach a wider audience, so that she can try to increase profit through increased sales. 		
Achievement	Achievement with Merit	Achievement with Excellence	
<p>Demonstrates understanding by:</p> <ul style="list-style-type: none"> • shifting supply curve to the left • explaining profitability • stating that the regulations will decrease the supply of dinner packages. 	<p>Detailed explanation that includes:</p> <ul style="list-style-type: none"> • showing the shift correctly, with appropriate labelling • explaining how the increased costs lead to an increase in cost of production, therefore profitability and supply will both decrease • explaining ONE flow-on effect. <p>Uses detailed explanations and makes some reference to the graph.</p>	<p>Comprehensive explanation that includes:</p> <ul style="list-style-type: none"> • fully explaining that the increased compliance costs due to the regulation will increase costs of production, therefore reducing profitability • referring to the shift in the supply curve, the idea that quantity supplied at every price will decrease • fully explaining TWO flow-on effects. <p>Uses correct economic terminology.</p>	

Cut Scores

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