

## Assessment Schedule – 2020

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

#### Assessment Criteria

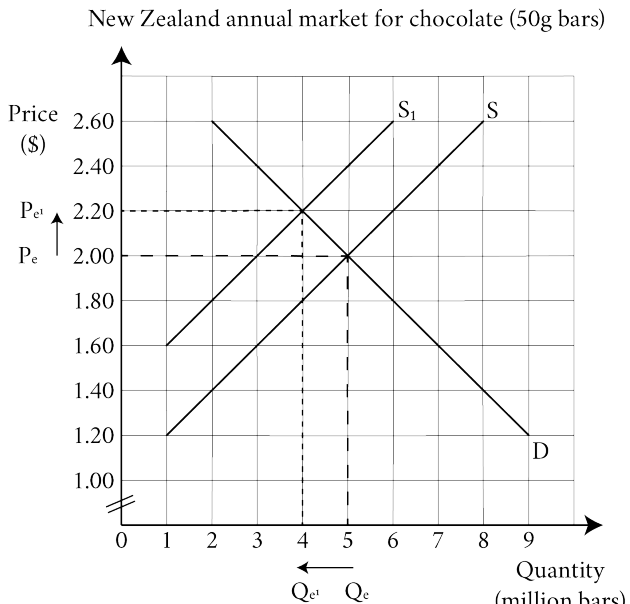
Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrate <b>understanding</b> involves:</i></p> <ul style="list-style-type: none"> <li>identifying, describing, or providing an explanation of how producer, consumer, and / or government choices affect market equilibrium</li> <li>identifying, describing, or providing an explanation of how changes in market equilibrium affect different sectors</li> <li>clearly illustrating changes using the supply and demand model.</li> </ul>	<p><i>Demonstrate <b>in-depth understanding</b> involves:</i></p> <ul style="list-style-type: none"> <li>providing a detailed explanation, using the supply and demand model, of how producer, consumer and / or government choices affect market equilibrium</li> <li>providing a detailed explanation, using the supply and demand model, of how changes in market equilibrium affect different sectors.</li> </ul>	<p><i>Demonstrate <b>comprehensive understanding</b> involves:</i></p> <ul style="list-style-type: none"> <li>linking detailed explanations of how producer, consumer, and / or government choices affect market equilibrium, with detailed explanations of how those changes affect different sectors</li> <li>integrating changes in supply and demand into detailed explanations.</li> </ul>

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

#### Cut Scores

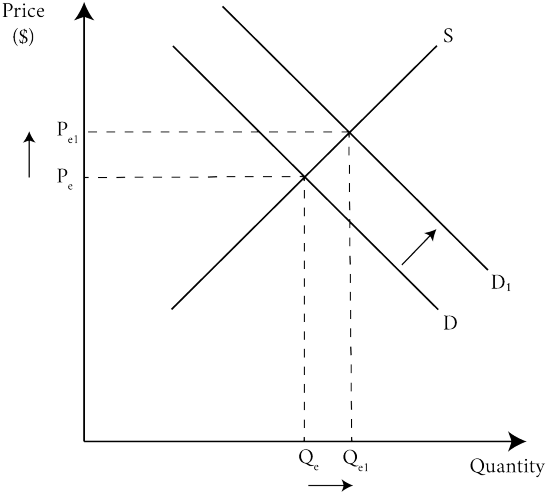
Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 7	8 – 12	13 – 19	20 – 24

Evidence

Q1	Sample evidence		Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p style="text-align: center;">New Zealand annual market for chocolate (50g bars)</p> 		<p>Shifts <b>S</b> to the left correctly, with appropriate labels:</p> <ul style="list-style-type: none"> <li>- Labels a higher price.</li> <li>- Labels a lower quantity.</li> </ul>		
(b)	(i)	<p>Before: 5 million bars                      After: 4 million bars</p>	<p>TWO of:</p> <ul style="list-style-type: none"> <li>- Identifies quantity consumers buy before and after tax.</li> <li>- Identifies price consumers pay before and after tax.</li> <li>- Identifies price producers receive before and after tax.</li> <li>- Correctly identifies monthly government revenue from the tax.</li> </ul>	<p>ALL of:</p> <ul style="list-style-type: none"> <li>- Identifies quantity consumers buy before and after tax.</li> <li>- Identifies price consumers pay before and after tax.</li> <li>- Identifies price producers receive before and after tax.</li> <li>- Correctly identifies monthly government revenue from the tax.</li> </ul>	
(ii)	<p>Before: \$2.00                                      After: \$2.20</p>				
(iii)	<p>Before: \$2.00                                      After: \$1.80</p>				
(iv)	<p>(\$0.40 x 4 million = ) 1.6 million</p>				

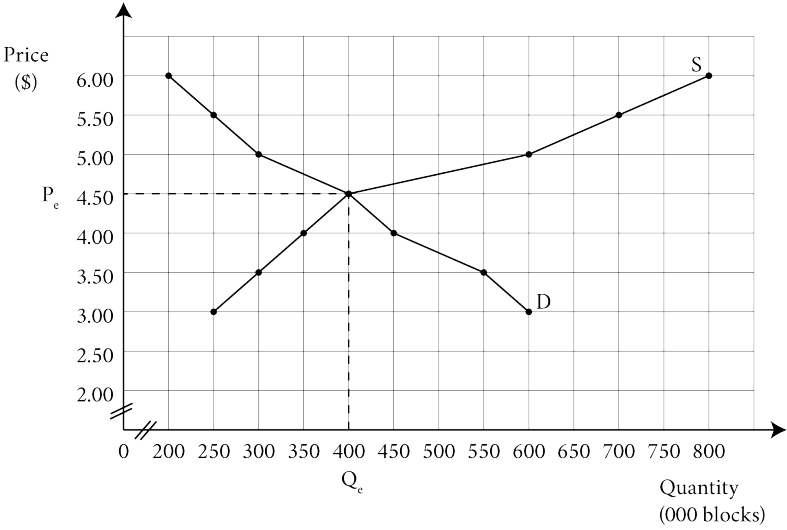
Q1	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(c)	Consumers initially paid \$2.00 a bar, which increased to \$2.20 a bar. Consumer spending decreased from \$10 000 000 (i.e. \$2.00 x 5 000 000) to \$8 800 000 (i.e. \$2.20 x 4 000 000). A decrease of \$1 200 000.		<b>Explains</b> the change in price to consumers, OR the effect on consumer spending (with correct data).	<b>Fully explains</b> (with correct data) the change in price to consumers AND the effect on consumer spending.
(d)	Producers initially received \$2.00 a bar, which decreased to \$1.80 a bar. Producer revenue decreased from \$10 000,000 (i.e. \$2.00 x 5 000 000) to \$7 200 000 (i.e. \$1.80 x 4 000 000). A decrease of \$2 800 000.		<b>Explains</b> the change in price to producers, OR the effect on their revenue (with correct data).	<b>Fully explains</b> (with correct data) the change in price to producers AND the effect on their revenue.
(e)	In the short term, the government will earn \$1 600 000 per year.		<b>Explains</b> the financial effect on the government in the short-term (gives correct figure).	<b>Fully explains</b> (with correct figure) the financial effect on the government in the short-term.
(f)	In the long term, this money could be used to put towards hospital care for people with health-related issues, or education about how to eat healthy. (Any reasonable answer is acceptable, as long as it is to do with a government issue).			<b>Fully explains</b> the financial effect on the government in the long-term.
(g)	Due to the tax, fewer people will buy chocolate. Some possible flow-on effects for society are: <ul style="list-style-type: none"> <li>• The average weight of a New Zealander decreases</li> <li>• New Zealanders become more interested in health regimes and gym memberships go up</li> <li>• Fewer cases of obesity / diabetes in NZ / less demand for gastric bypasses and so the government can spend their money elsewhere.</li> </ul>		<b>Explains</b> an effect on society.	<b>Fully explains</b> a flow-on effect on society.

N1	N2	A3	A4	M5	M6	E7	E8
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.
N0 = No response; no relevant evidence.				Candidates provide detailed explanations, using some correct data and in context.		All figures and economic terms must be correct.	

Q2	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	<p style="text-align: center;">Market demand for chocolate (weekly)</p> 	<p>THREE of:</p> <ul style="list-style-type: none"> <li>- Identifies that price increases.</li> <li>- Identifies that quantity increases.</li> <li>- Shifts the demand curve to the right.</li> <li>- Labels the new equilibrium point.</li> </ul>		
(b)	<p>Market demand is the demand of all the consumers in the market, and is the horizontal summation of the individual demand curves for chocolate.</p> <p>The promotion of the health benefits associated with eating chocolate is a marketing tool that will influence consumers' tastes and preferences.</p> <p>This influence on consumer opinion will increase consumers' demand for chocolate, which will shift the demand curve to the right, to <math>D_1</math>. This means that more chocolate will be demanded at each and every price.</p> <p>This will cause a shortage of chocolate at the original equilibrium price. As a result, the consumers will bid the price of chocolate up so that they don't miss out.</p> <p><u>Potential effects on consumers:</u></p> <ul style="list-style-type: none"> <li>• consumers are now demanding more chocolate</li> <li>• they may put on weight / get new health issues</li> <li>• buy more complementary goods to accompany their chocolate (s'mores etc.) or less substitute goods (lollies / ice cream)</li> <li>• enter into a black market to get their hands on large quantities of chocolate.</li> </ul>	<p><b>Explains</b> market demand.</p> <p><b>Explains</b> that market demand increases.</p>	<p><b>Explains</b> that market demand increases due to promotion of health benefits / influence on tastes and preferences.</p> <p><b>Explains</b> increase in price <b>due to</b> shortage at the original price, <math>P_e</math>.</p> <p><b>Explains</b> a potential effect on the consumer.</p>	<p><b>Links</b> reasons for increased market demand and the demand curve shift to the right.</p> <p><b>Links</b> increase in price to shortage at <math>P_e</math> and consumers bidding up the price.</p> <p><b>Fully explains</b> the increase in price and the change in <math>Q_s</math> and <math>Q_d</math>.</p> <p><b>Explains</b> a potential effect on the consumer.</p>

Q2	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence
(c)	<p>The increase in demand could mean that producers:</p> <ul style="list-style-type: none"> <li>• need to hire more workers since they need to make more chocolate than before</li> <li>• retrain workers on how to produce chocolate (rather than a different good they were making previously)</li> <li>• hire new machinery or rent new, larger premises so that they can make more chocolate.</li> </ul> <p>Any reasonable flow-on effect to be considered – as long as it is for <i>producers</i>.</p>		<b>Explains</b> a flow-on effect for the producer.	<b>Fully explains</b> a flow-on effect for the producer.

N1	N2	A3	A4	M5	M6	E7	E8
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.
<p><b>N0</b> = No response; no relevant evidence.</p>				<p>Candidate uses detailed explanations, mostly uses correct data, and in context.</p>		<p>Candidate uses integrated explanations in context and uses correct data and economic terminology.</p>	

Q3	Sample evidence	Achievement	Achievement with Merit	Achievement with Excellence																								
(a)	<table border="1" data-bbox="241 284 1133 699"> <thead> <tr> <th>Price (\$)</th> <th>Market demand (000 blocks)</th> <th>Market supply (000 blocks)</th> </tr> </thead> <tbody> <tr> <td>3.00</td> <td>600</td> <td>250</td> </tr> <tr> <td>3.50</td> <td>550</td> <td>300</td> </tr> <tr> <td>4.00</td> <td>450</td> <td>350</td> </tr> <tr> <td>4.50</td> <td>400</td> <td>400</td> </tr> <tr> <td>5.00</td> <td>300</td> <td>600</td> </tr> <tr> <td>5.50</td> <td>250</td> <td>700</td> </tr> <tr> <td>6.00</td> <td>200</td> <td>800</td> </tr> </tbody> </table>	Price (\$)	Market demand (000 blocks)	Market supply (000 blocks)	3.00	600	250	3.50	550	300	4.00	450	350	4.50	400	400	5.00	300	600	5.50	250	700	6.00	200	800	<p>Completes table accurately.</p>		
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(b) (i–ii)	<p data-bbox="421 743 931 767">New Zealand market for chocolate (250g block) per week</p>  <p>The graph shows the market for chocolate. The vertical axis represents Price (\$) and the horizontal axis represents Quantity (000 blocks). The equilibrium price <math>P_e</math> is 4.50 and the equilibrium quantity <math>Q_e</math> is 400.</p>	<p>Plots points correctly.</p> <p>Identifies equilibrium.</p>																										

<p>(b) (iii–vi)</p>	<p style="text-align: center;">New Zealand market for chocolate (250g block) per week</p> <p style="text-align: center;">Price (\$)</p> <p style="text-align: center;">Quantity (000 blocks)</p>	<p>Correctly identifies the surplus:</p> <ul style="list-style-type: none"> <li>- correctly identifies <math>Q_S</math></li> <li>- correctly identifies <math>Q_D</math></li> </ul>		
<p>(c)</p>	<p>At \$5.00, there would be a surplus of 300 000 blocks of chocolate because the quantity supplied would be 600 000, which is greater than the quantity supplied at 300 000.</p>	<p><b>Explains</b> a surplus.</p>	<p>Uses data to <b>identify and explain</b> the surplus.</p>	<p><b>Fully explains</b> the surplus, using correct data.</p>
<p>(d)</p>	<p>Producers would reduce the price in order to clear excess stock. As the price decreases from \$5.00 to \$4.50, producers would reduce their quantity supplied from 600 000 to 400 000, ceteris paribus, as chocolate would be less profitable.</p> <p>As price decreases, consumers would increase their quantity demanded from 300 000 to 400 000, ceteris paribus, as chocolate would become more affordable.</p> <p>Equilibrium is restored at \$4.50 (<math>P_e</math>) and 400 000 (<math>Q_e</math>) blocks.</p>	<p><b>Explains</b> a decrease in price (producers reduce the price).</p>	<p><b>Fully explains</b> why price will decrease (i.e. producers will drop the price, to clear excess stock).</p> <p>Uses the law of demand and law of supply to <b>fully explain</b> the restoration of equilibrium.</p>	<p>Integrates law of demand (i.e. <b>P</b> decrease, <b>Q<sub>d</sub></b> increase) as is now relatively <u>more affordable</u> and law of supply (i.e. <b>P</b> decrease, <b>Q<sub>s</sub></b> decrease), as is now relatively <u>less profitable</u>. Uses data to support conclusions.</p> <p><b>Identifies</b> that equilibrium is restored at a price of \$4.50 and 400 000 blocks.</p>

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
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