

MARKER CODE



Student Personal Identification Number

South Pacific Form Seven Certificate

ECONOMICS

2016

QUESTION and ANSWER BOOKLET

Time allowed: Two and a half hours

INSTRUCTIONS

Write your **Student Personal Identification Number (SPIN)** in the space provided on the top right hand corner of this page.

Answer **ALL QUESTIONS**. Write your answers in the spaces provided in this booklet.

If you need more space for answers, ask the Supervisor for extra paper. Write your SPIN on all extra sheets used and clearly number the questions. Attach the extra sheets at the appropriate places in this booklet.

Section A Short Answer Questions

75 minutes

Section B Economic Analysis

75 minutes

Major Learning Outcomes (Achievement Standards)	Skill Level Band			Weight / Time
	1 <i>Basic</i>	2 <i>Proficient</i>	3 <i>Advanced</i>	
EcoA: Demonstrate understanding of key ideas about the operation of the market system, and analyse how decisions are made and their outcome in a modern market economy.	17 items	6 items	2 items	35%
EcoB: Demonstrate understanding of the part governments play in allocating resources, particularly where the market does not result in efficient or equitable outcomes.	5 items	1 item	1 item	10%
EcoC: Demonstrate understanding of the workings of the economy as a whole and also of the effects of government policy.	13 items	3 items	2 items	25%
TOTAL	35 items	10 items	5 items	70% 150 min

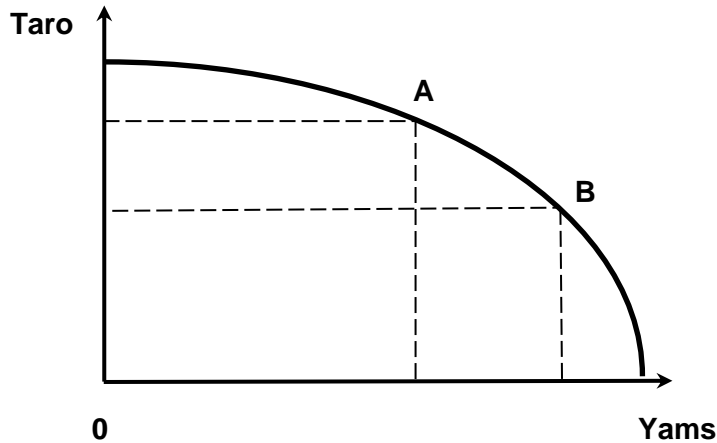
Check that this booklet contains pages 2-19 in the correct order and that none of these pages is blank.
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

SECTION A: SHORT-ANSWER QUESTIONS

Answer **ALL** seven questions in this section.
As a guide, spend no more than **75 minutes** on this section.

QUESTION ONE: Understand the economic problem of scarcity and allocation.

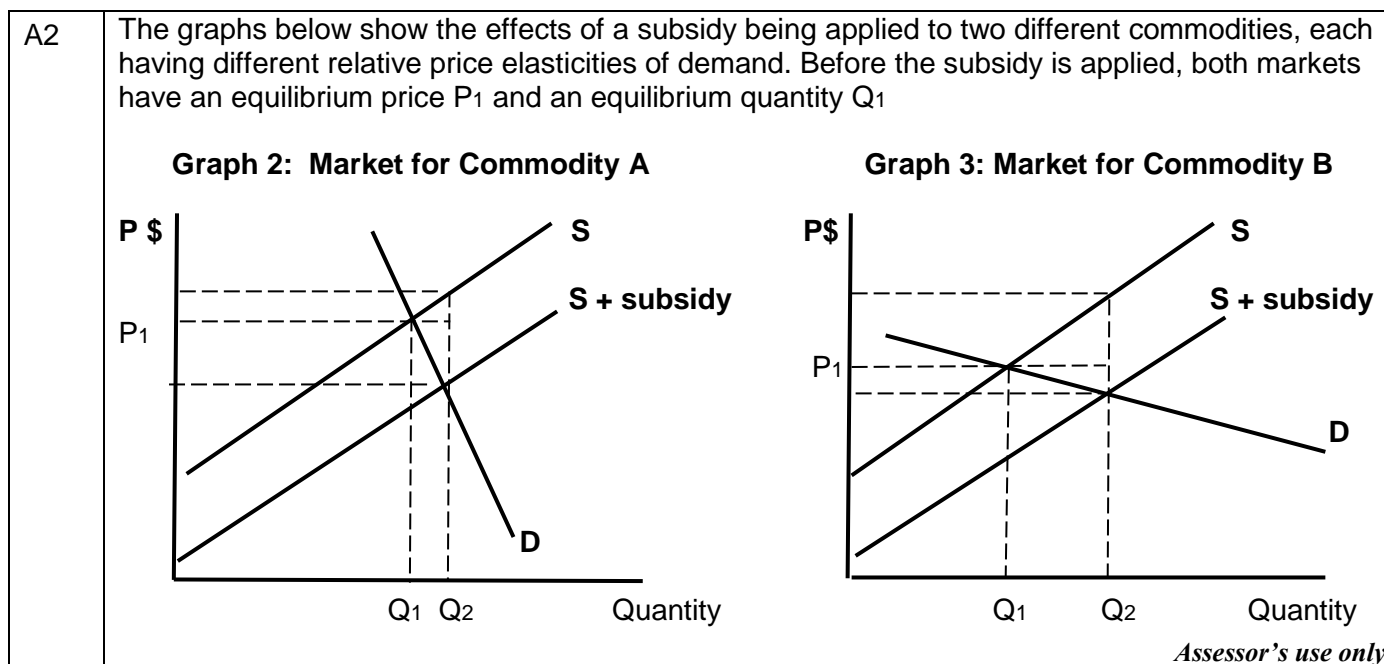
Graph 1: The Production Possibilities of Fertile Soils



Assessor's use only

A1.1	Describe the purpose of a model in Economics. _____ _____ _____	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Skill Level 1		Basic		Weak		NR			
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A1.2	List TWO basic assumptions associated with a Production Possibility model 1. _____ 2. _____	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Skill Level 1		Basic		Weak		NR			
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A1.3	1. Define the term 'opportunity cost' _____ _____ 2. On Graph 1 , clearly indicate with an arrow (and label OC), the opportunity cost of changing production choices from combination A to combination B .	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 1</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Skill Level 1		Basic		Weak		NR			
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A1.4	With reference to points such as A and B on the production possibility curve in Graph 1 , distinguish between the economic concepts <i>productive</i> efficiency and <i>allocative</i> efficiency. _____ _____ _____ _____	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Skill Level 2</th> </tr> </thead> <tbody> <tr> <td style="width: 50%;">Proficient</td> <td style="width: 50%;"></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </tbody> </table>	Skill Level 2		Proficient		Basic		Weak		NR	
Skill Level 2												
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QUESTION TWO: Apply supply and demand analysis to factor and commodity markets.

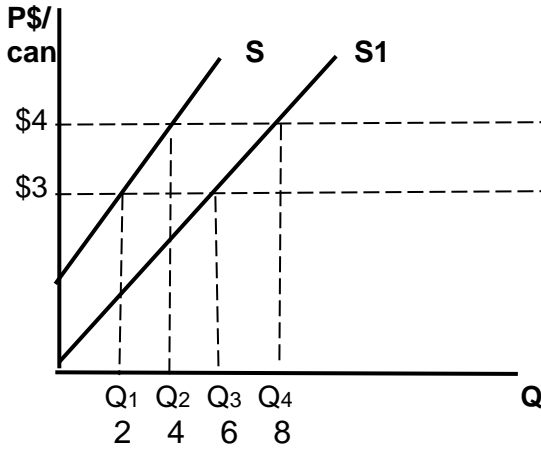


	<p>A2.1a Show the effects of the subsidy on the markets in Graph 2 AND Graph 3 by: identifying the price the consumer pays after the subsidy is applied (label P_2 on each graph)</p>	<table border="1" style="margin: auto;"> <tr><th colspan="2">Skill Level 1</th></tr> <tr><td>Basic</td><td></td></tr> <tr><td>Weak</td><td></td></tr> <tr><td>NR</td><td></td></tr> </table>	Skill Level 1		Basic		Weak		NR	
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	<p>A2.1b shading the incidence of the subsidy on the;</p> <p style="text-align: center;"> consumer and producer </p>	<table border="1" style="margin: auto;"> <tr><th colspan="2">Skill Level 1</th></tr> <tr><td>Basic</td><td></td></tr> <tr><td>Weak</td><td></td></tr> <tr><td>NR</td><td></td></tr> </table>	Skill Level 1		Basic		Weak		NR	
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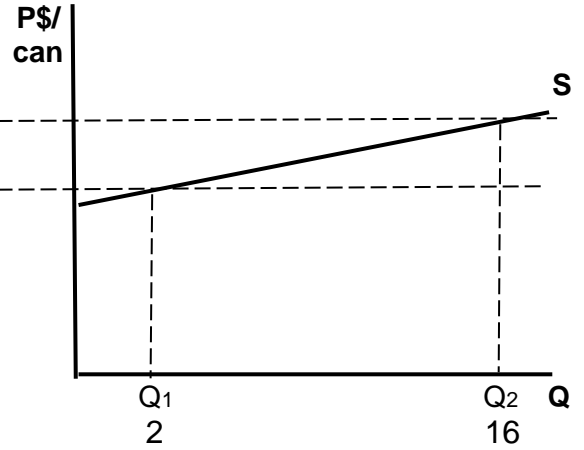
<p>A2.2</p>	<p>By referring to Graphs 1 and 2, and using the concept of price elasticity of demand, explain why the incidence (effect) of the subsidy benefits consumers proportionately more for Commodity A compared to Commodity B. Comment also on the types of commodities a government is likely to subsidise if it wishes for consumers to receive the greatest benefit from a subsidy.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="margin: auto;"> <tr><th colspan="2">Skill Level 3</th></tr> <tr><td>Advanced</td><td></td></tr> <tr><td>Proficient</td><td></td></tr> <tr><td>Basic</td><td></td></tr> <tr><td>Weak</td><td></td></tr> <tr><td>NR</td><td></td></tr> </table>	Skill Level 3		Advanced		Proficient		Basic		Weak		NR	
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QUESTION THREE: Explain shifts in individual firms' supply curves, define and show graphically price elasticity of supply.

Graph 4: A Firm's Short-Run Supply of Canned Fish (000 cans/day)



Graph 5: A Firm's Long-Run Supply of Canned Fish (000 cans/day)



Assessor's use only

A3.1 By referring to appropriate labels on Graph 4, distinguish between a movement along a supply curve and a shift of a supply curve.

Skill Level 2	
Proficient	
Basic	
Weak	
NR	

A3.2 State TWO possible reasons for an increase (shift) in the supply of canned fish in **Graph 4**.

1. _____

2. _____

Skill Level 1	
Basic	
Weak	
NR	

A3.3 Apply the concept of price elasticity of supply to explain why the supply of canned fish (curve **S** in **Graph 5**) is more responsive to a price change of **\$3** to **\$4**, compared with supply curve **S** in **Graph 4**.

Skill Level 2	
Proficient	
Basic	
Weak	
NR	

QUESTION FOUR: Derive an upward-sloping supply curve for an individual perfectly competitive firm and for the market supply curve.

Assessor's use only

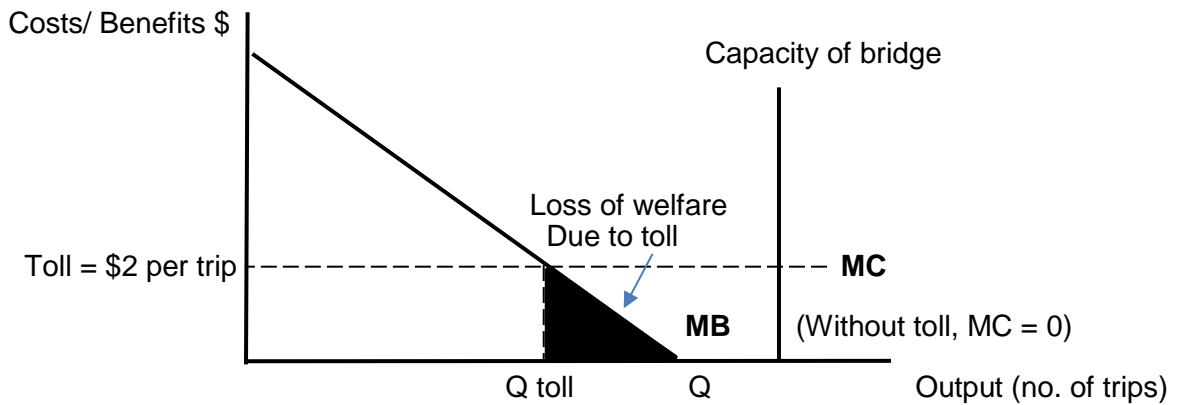
A4.1	<p>Calculate and complete the missing values in Table 1.</p> <p style="text-align: center;">Table 1: Short-run Costs for a Firm</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 15%;">Units of Output</th> <th style="width: 20%;">Total Cost \$</th> <th style="width: 20%;">Average Cost \$</th> <th style="width: 20%;">Marginal Cost \$</th> </tr> </thead> <tbody> <tr> <td>(a) 1</td> <td>80</td> <td></td> <td>80</td> </tr> <tr> <td>2</td> <td>140</td> <td>70</td> <td></td> </tr> <tr> <td>3</td> <td></td> <td>70</td> <td>70</td> </tr> <tr> <td>(b) 4</td> <td>310</td> <td></td> <td>100</td> </tr> <tr> <td>5</td> <td>460</td> <td>92</td> <td></td> </tr> <tr> <td>6</td> <td></td> <td>112</td> <td>212</td> </tr> </tbody> </table>	Units of Output	Total Cost \$	Average Cost \$	Marginal Cost \$	(a) 1	80		80	2	140	70		3		70	70	(b) 4	310		100	5	460	92		6		112	212	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr style="background-color: #cccccc;"> <th colspan="2">Skill Level 1</th> </tr> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr style="background-color: #cccccc;"> <th colspan="2">Skill Level 1</th> </tr> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR		Skill Level 1		Basic		Weak		NR	
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A4.2	<p>Note that in Table 1, marginal costs initially fall, then rise as output increases. This is for economic reasons that in turn influences the shape of the firm's supply curve.</p> <p>Explain how the Law of Diminishing Returns causes marginal costs to rise as output increases.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr style="background-color: #cccccc;"> <th colspan="2">Skill Level 2</th> </tr> <tr> <td style="width: 50%;">Proficient</td> <td style="width: 50%;"></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 2		Proficient		Basic		Weak		NR																																			
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A4.3	<p>The relationship between marginal (MC) and average costs (AC) is arithmetical. At 3 units of output in Table1, $MC = AC$. Explain the relationship between the trends in MC and AC at the output levels below and above 3 units.</p> <hr/> <hr/> <hr/> <hr/> <hr/>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr style="background-color: #cccccc;"> <th colspan="2">Skill Level 1</th> </tr> <tr> <td style="width: 50%;">Basic</td> <td style="width: 50%;"></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR																																					
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QUESTION FIVE: Describe the characteristics of public goods and identify the reasons why the market will not, or cannot, supply them in sufficient quantities

Assessor's use only

<p>A5.1</p>	<p>Explain how road signs fit the two main features of public goods, i.e. non-rival and non-excludable.</p> <p>(a) Non-Rival: _____</p> <p>_____</p> <p>(b) Non-Excludable: _____</p> <p>_____</p>	<table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR		Skill Level 1		Basic		Weak		NR	
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<p>A5.2</p>	<p>With reference to public goods, what is meant by free-rider behaviour?</p> <p>_____</p> <p>_____</p>	<table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR									
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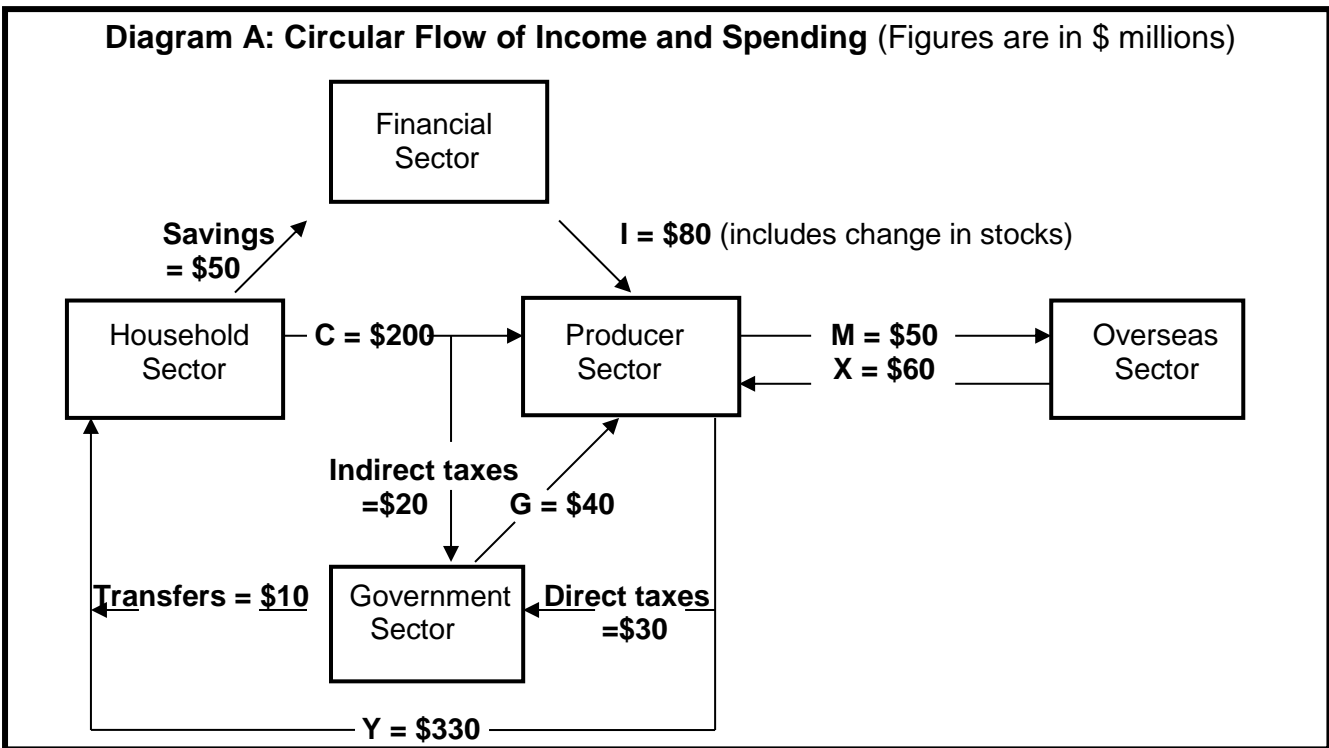
Graph 6: Effects of User-pays charges on a Public Good, e.g. Car Tolls on a bridge



Assessor's use only

<p>A5.3</p>	<p><i>User-pays</i> is an alternative method of paying for public goods, rather than providing them collectively. With reference to Graph 6, discuss costs and benefits of a user-pays toll charge on a public good.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<table border="1"> <tr> <th colspan="2">Skill Level 2</th> </tr> <tr> <td>Proficient</td> <td></td> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 2		Proficient		Basic		Weak		NR	
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QUESTION SIX: Demonstrate an understanding of economic activity in terms of the circular flow of income and spending.



Assessor's use only

A6.1

(a) Use data from **Resource A** to calculate or measure **GDP** using the **Expenditure Approach**. Show your workings below, using the relevant symbols and formula.

Formula: _____ **GDP = \$ _____ million.**

(b) Is the Government Sector Budget in **surplus**, a **deficit**, or **balanced**? Explain your answer using the concepts of government income and expenditure.

Skill Level 1	
Basic	
Weak	
NR	
Skill Level 1	
Basic	
Weak	
NR	

A6.2

Complete the following table. (Round: Real GDP to whole numbers; Growth Rate to 1 decimal place)

Year	Nominal GDP (\$m)	CPI	Real GDP (\$m)	Growth Rate %
2013	3500	1000	3500	-
2014	3550	1034		
2015	3650	1039		

Skill Level 1	
Basic	
Weak	
NR	

A6.3

Explain, using examples of types of income, how GDP is measured using the **INCOME** approach.

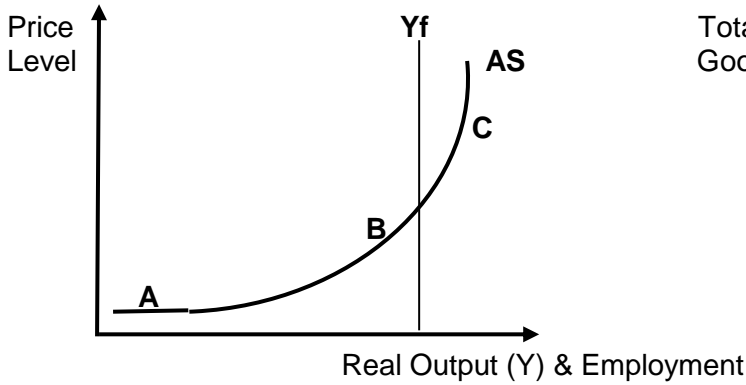
Skill Level 2	
Proficient	
Basic	
Weak	
NR	

QUESTION SEVEN: Demonstrate an understanding of aggregate supply and aggregate demand

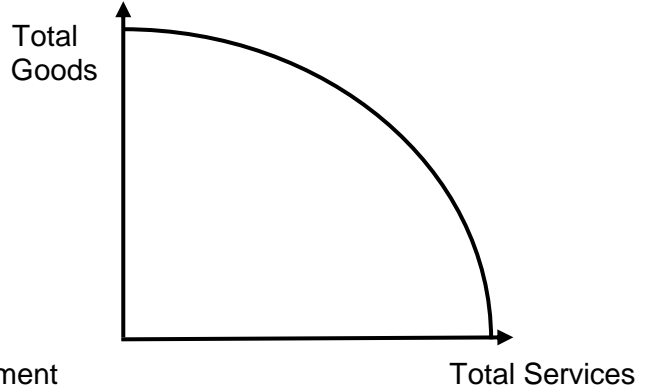
Assessor's use only

A7.1	Define Aggregate Demand. _____ _____ _____	Skill Level 1	
		Basic	
		Weak	
		NR	

Graph 7: Aggregate Supply Curve



Graph 8: Aggregate Production Possibilities



Assessor's use only

A7.2	On Graph 8 appropriately place points A , B and C from Graph 7 .	Skill Level 1	
		Basic	
		Weak	
		NR	

A7.3	Referring to Graph 7 , explain why the AS curve is relatively flat at point A , becomes steeper at point B and can be continued beyond full employment (Y_f) to point C . _____ _____ _____ _____ _____ _____ _____	Skill Level 2	
		Proficient	
		Basic	
		Weak	
		NR	

A7.4	State TWO reasons for a decrease (shift to the left) of the AS curve. 1. _____ _____ 2. _____ _____	Skill Level 1	
		Basic	
		Weak	
		NR	

SECTION B: ECONOMIC ANALYSIS

Answer **BOTH** questions in this section. Be brief and to the point in your answers. As a guide, spend no more than **75 minutes** on this section.

QUESTION EIGHT: MICROECONOMIC ANALYSIS

Demonstrate an understanding of the role of firms in a market economy

The Dairy Industry

While small herds of dairy cattle can be found in numerous Pacific countries, by far the largest dairy industry in the South Pacific comprises thousands of individual dairy farms throughout New Zealand. Dairy products have, in recent years, been New Zealand's largest export earner (over 25%), the bulk of the export products being produced by a near monopoly co-operative firm called Fonterra. After experiencing record incomes from their milk in recent years, the many individual dairy farmers are currently earning very low incomes that are, on average, insufficient to cover their costs of production. In time, because of the sub-normal profits many farmers are experiencing, some will be forced to leave the dairy industry, which in turn may result in those remaining in the industry at least breaking even. Some economists argue that farmers have, in recent years, been too focused on investing to merely increase output, rather than focusing on a profit maximisation level of output.

Another issue facing dairy farmers are the additional costs they are having to pay to comply with tougher environmental laws to deal with pollution associated with on-farm production that threatens the water quality of rivers and lakes.

Assume that the many individual dairy farmers are perfectly competitive firms and that Fonterra, which processes the farmers' milk, is a monopoly.



A dairy herd



Cows being milked using rotary equipment

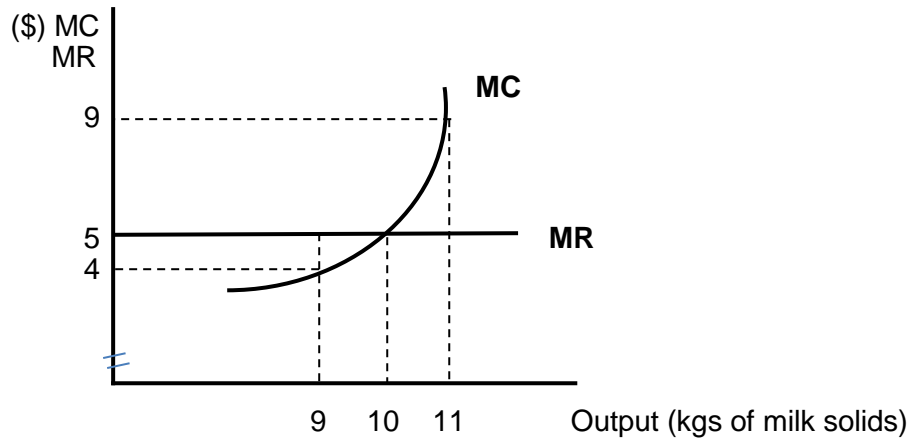
Assessor's use only

B8.1

Define average and marginal revenue and explain how, for a perfectly competitive firm, they are related.

Skill Level 2	
Proficient	
Basic	
Weak	
NR	

Graph 9: Profit Maximisation for the Perfectly Competitive Dairy Farmer
 (\$/kg of milk solids)



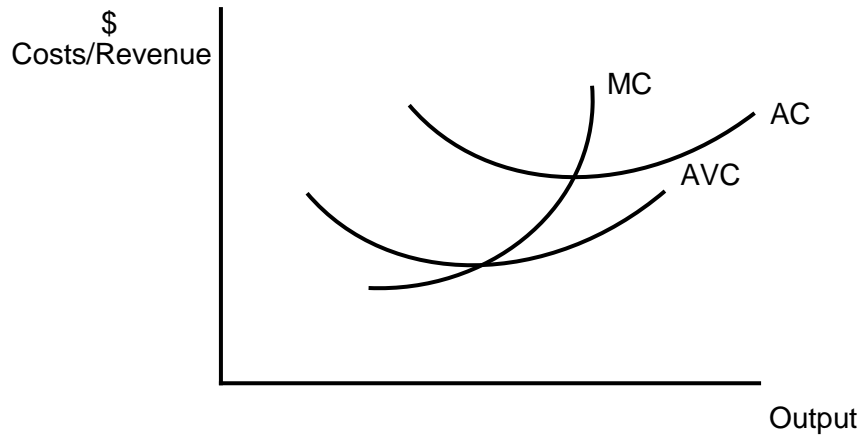
Assessor's use only

B8.2

Using **marginal analysis** and the figures in **Graph 9**, fully explain why some economists in the article on **page 9** are concerned that dairy farmers are “too focused on investing to merely increase output, rather than focusing on the profit maximisation level of output”.

Skill Level 3	
Advanced	
Proficient	
Basic	
Weak	
NR	

Graph 10: A Perfectly Competitive Dairy Farmer



The article on **page 9** states that many dairy farmers are currently experiencing sub-normal profits.

Assessor's use only

B8.3a On **Graph 10**:

1. Draw a price line (**label MR = AR = P = D**) approximately half way between the breakeven price (AR = minimum AC) and the shutdown price (AR = minimum AVC)
2. Draw and label **Qm**, the profit maximising level of output, then accurately locate and **shade** in the area of sub-normal profit

Skill Level 1	
Basic	
Weak	
NR	

B8.3b Explain why the firm must close if the price falls below the shutdown price

Skill Level 1	
Basic	
Weak	
NR	

The article on **page 9** also states that “another issue facing dairy farmers are the additional costs they are having to pay to comply with tougher environmental laws”.

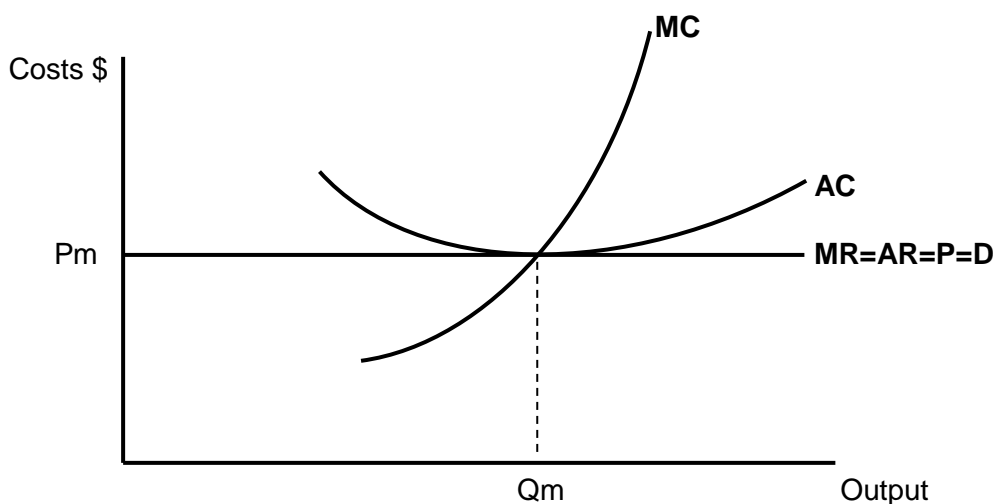
Assessor’s use only

B8.3c

On **Graph 11** below, illustrate how increasing farm costs affect the firm’s marginal and average cost curves (**label MC_1 and AC_1**) and show the new profit maximising level of output (**label Q_{m1}**).

Skill Level 1	
Basic	
Weak	
NR	

Graph 11: Costs of the Dairy Farm



Assessor’s use only

B8.3d

Explain the effect of these rising farm costs on this perfectly competitive firm’s profitability at the new output level **Q_{m1}** on **Graph 11**.

Skill Level 1	
Basic	
Weak	
NR	

The raw milk from the dairy farms is processed and has value added by the 'monopoly' Fonterra. This company sells the majority of its output, such as milk powder and cheese, to world markets.

Assessor's use only

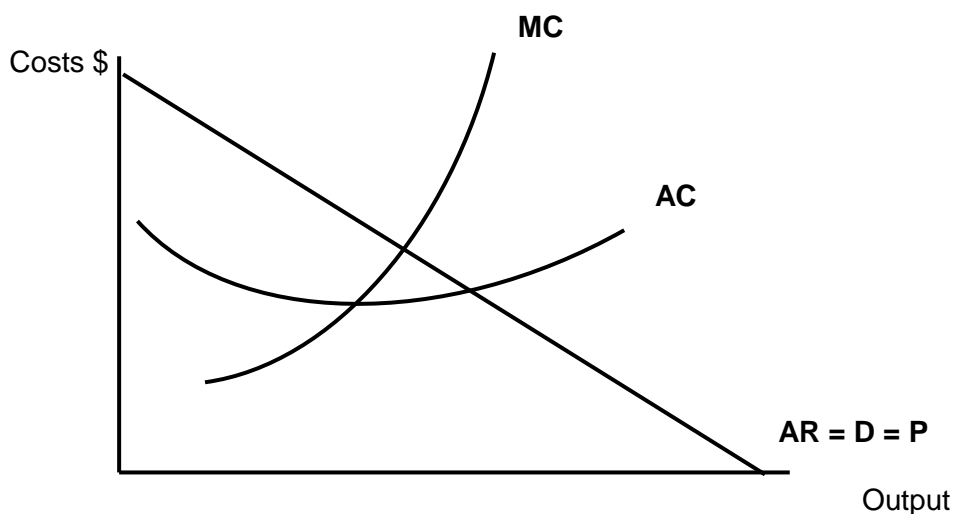
B8.4a List two characteristics of a monopoly:

1. _____

2. _____

Skill Level 1	
Basic	
Weak	
NR	

Graph 12: A Dairy Monopoly



Assessor's use only

B8.4b On **Graph 12**:

(i) 1. Accurately draw (and label **MR**) the monopolist's marginal revenue curve;

2. Locate and label the profit maximising level of output (**Qm**) and market price (**Pm**);

(ii) 1. Then accurately **locate, shade the label** (supernormal, normal or sub-normal) the profit;

2. Use a different shading to identify the loss of allocative efficiency (label **DWL**) at the profit maximising level of output.

Skill Level 1	
Basic	
Weak	
NR	

Skill Level 1	
Basic	
Weak	
NR	

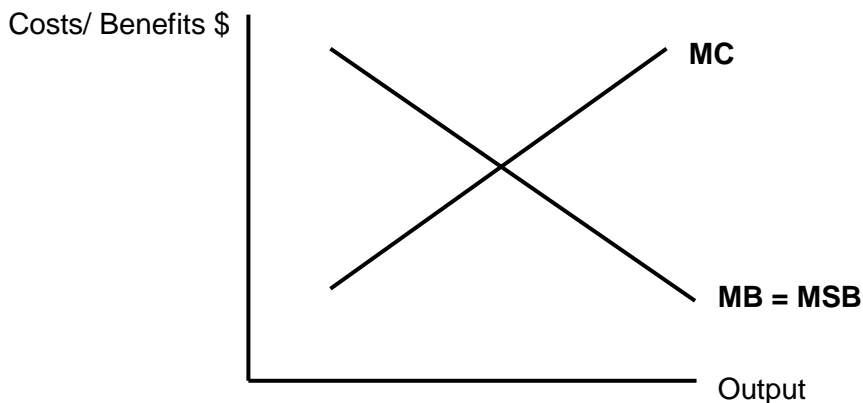
B8.4c Explain why a monopolist and a perfectly competitive firm have differently sloped **AR** curves.

Skill Level 1	
Basic	
Weak	
NR	

B8.4d	Compare, with reasons, the short-run and long-run equilibrium positions of a monopolist and a perfectly competitive firm.		
		Skill Level 2	
		Proficient	
		Basic	
		Weak	
		NR	

The article on page 9 states that another issue facing dairy farmers are the additional costs they are having to pay to comply with tougher environmental laws to deal with pollution associated with on-farm production that threatens the water quality of rivers and lakes. Pollution may result from overstocking the land, with excess cow effluent and nitrates from artificial fertilizers getting into waterways.

Graph 13: Negative Externalities of Dairy Farming Production



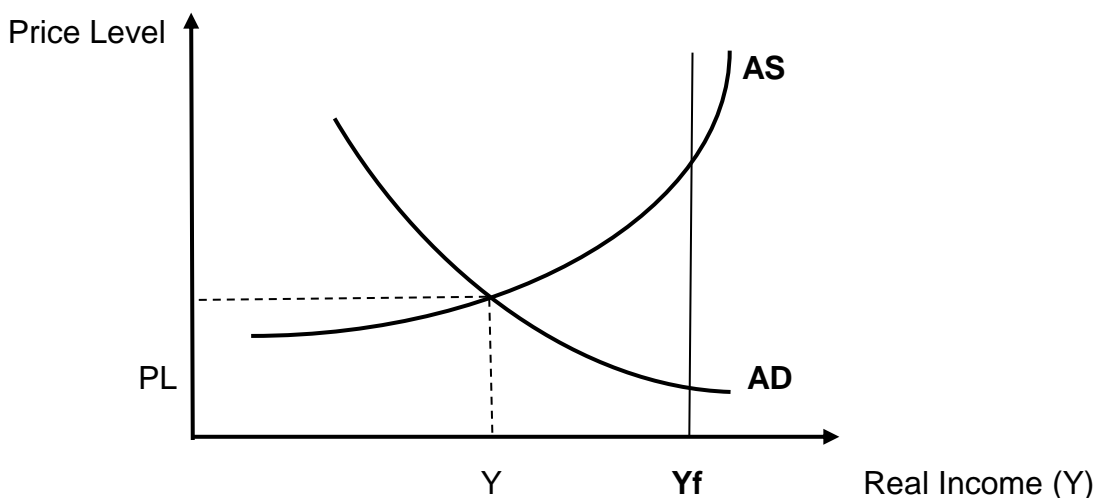
B8.5a	On Graph 13 clearly: 1. Locate and label the private market equilibrium price (P_{ME}) and private market output (Q_{ME}) 2. Place a marginal social cost curve (label MSC) that indicates the existence of negative externalities from the production of this good	Skill Level 1	
		Basic	
		Weak	
		NR	
B8.5b	1. Label the social equilibrium price (P_{SE}) and social output level (Q_{SE}) 2. Shade the area of deadweight loss (DWL) at the private output level (Q_{ME})	Skill Level 1	
		Basic	
		Weak	
		NR	

QUESTION NINE: MACROECONOMIC ANALYSIS

Part A: Demonstrate an understanding of domestic and external economic activity

Relatively small economies, such as those located in the South Pacific, rely heavily on export led growth to improve their living standards compared with economies experiencing much greater levels of investment and higher numbers of domestic consumers. Export led growth in South Pacific economies can be improved by increasing investment in ventures such as tourism and processing businesses that add value to primary products before they are exported.

Graph 14: The AD / AS Model



Assessor's use only

- B9.1
1. Identify the components of aggregate demand (**AD**) in a typical country's System of National Accounts.
 $AD = \text{Consumption (C)} + \text{_____ (I)} + \text{_____ (G)} + \text{(X-M)}$
 2. What does (**X-M**) stand for? _____

Skill Level 1	
Basic	
Weak	
NR	

- B9.2
- On **Graph 14**, show the effect on **real income (Y)** of increased Investment and net exports. Label appropriately any changes you make to the curves.

Skill Level 1	
Basic	
Weak	
NR	

- B9.3
- Explain what has happened to the recessionary gap and unemployment on **Graph 14** as a consequence of the changes you made in Question 2.
- _____
- _____
- _____

Skill Level 1	
Basic	
Weak	
NR	

B9.4 Explain how a favourable Terms of Trade and depreciating Exchange Rate could further increase export income, leading to economic growth and improved living standards.

Skill Level 2	
Proficient	
Basic	
Weak	
NR	

B9.5 Write paragraphs in which you:

- distinguish between the Balance of Payments on Current Account and the Balance of Payments on Financial Account (formerly the Capital Account);
- identify major items in each of these Accounts; and
- recognise the relationship between these two major accounts.

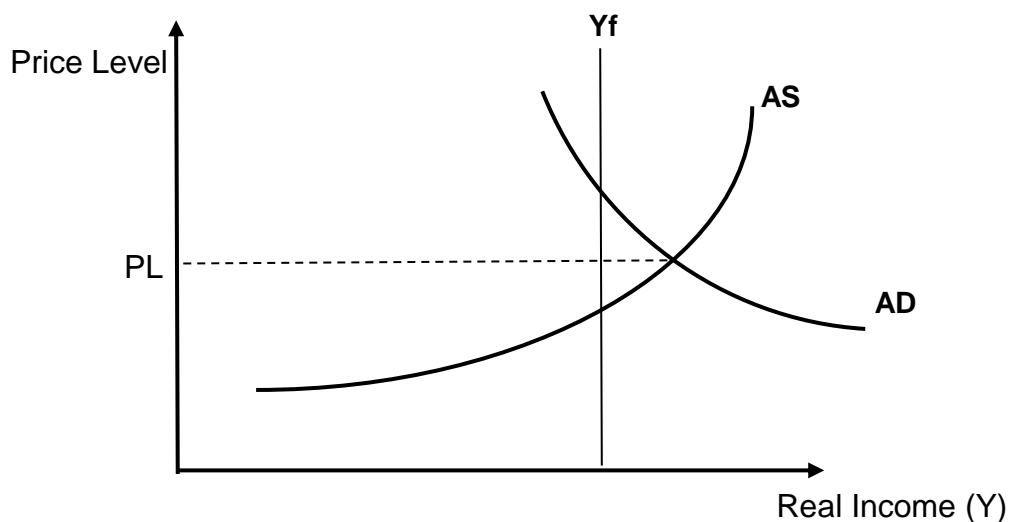
Skill Level 3	
Advanced	
Proficient	
Basic	
Weak	
NR	

Part B: Demonstrate an understanding of the impact of fiscal policy.

Assessor's use only

B9.6a	Define Fiscal Policy _____ _____ _____	<table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR	
Skill Level 1										
Basic										
Weak										
NR										
B9.6b	Explain why it is important that governments exercise 'fiscal constraint' (fiscal responsibility). _____ _____ _____	<table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR	
Skill Level 1										
Basic										
Weak										
NR										

Graph 15: The AD / AS Model



Assessor's use only

B9.6c	On Graph 15 : 1. Add an arrow (and label) to identify the extent of the 'inflationary gap'. 2. Illustrate the effects of reduced government spending to eliminate the inflationary gap. Label all changes you make.	<table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR	
Skill Level 1										
Basic										
Weak										
NR										
B9.6d	Explain why GDP (Y) changes from real to nominal figures to the right of Yf in Graph 15 . _____ _____ _____ _____	<table border="1"> <tr> <th colspan="2">Skill Level 1</th> </tr> <tr> <td>Basic</td> <td></td> </tr> <tr> <td>Weak</td> <td></td> </tr> <tr> <td>NR</td> <td></td> </tr> </table>	Skill Level 1		Basic		Weak		NR	
Skill Level 1										
Basic										
Weak										
NR										

B9.7

Write paragraphs about the major components of a typical Government’s budget in which you:

- Identify, with examples, major components of government income
- Identify, with examples, major components of government expenditure
- recognise the impact of government budget surpluses and deficits on economic activity.

Skill Level 3	
Advanced	
Proficient	
Basic	
Weak	
NR	