EDUCATIONAL QUALITY AND ASSESSMENT PROGRAMME

No. 104/2

ECONOMICS

Assessment Schedule 2017

South Pacific Form Seven Certificate

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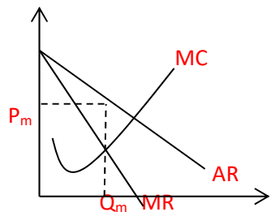
SPFSC ECONOMICS - 2017

Scoring Criteria

No.	LO	Skill score	Evidence	Student Response Level			
				4	3	2	1
1.1a	Eco1.1.14	1	The Production Possibilities model shows the maximum combination of two goods produced by an economy by employing all resources.				The Production Possibilities model shows the maximum combination of two goods produced by an economy by employing all resources. ***Idea is correct.***
1.1b	Eco1.1.1.3	1	Under-utilization of resources: Point Z.				Under-utilization of resources: Point Z.
1.1c	Eco1.1.2.9	2	The PPC is concave to the origin.			The PPC is concave to the origin. Slanted towards taro.	Concave/ Curved downwards.
1.2a	Eco1.2.1.4	1	Price elasticity of demand measures the responsiveness of demand to a change in price of a commodity.				Price elasticity of demand measures the responsiveness of demand to a change in price of a commodity. ***Idea is correct***

1.2b	Eco1.2.2.3	2	Point Formula CED = % change Quantity$_B$ % change in Price$_A$ = $\frac{(Q_{B2} - Q_{b1})}{Q_{B1}}$ X $\frac{(P_2 - P_1)}{P_1}$ = 2/4 X 1/1 = 0.5 Mid-Point Formula CED = $\frac{(Q_{B2} - Q_{B1})}{(Q_{B1} + Q_{B2})/2}$ X $\frac{(P_1 + P_2)/2}{(P_2 - P_1)}$ = $\frac{2}{5}$ X $\frac{1.5}{1}$ = 0.6			Point Formula CED = % change Quantity$_B$ % change in Price$_A$ = $\frac{(Q_{B2} - Q_{b1})}{Q_{B1}}$ X $\frac{(P_2 - P_1)}{P_1}$ = 2/4 X 1/1 = 0.5 Mid-Point Formula CED = $\frac{(Q_{B2} - Q_{B1})}{(Q_{B1} + Q_{B2})/2}$ X $\frac{(P_1 + P_2)/2}{(P_2 - P_1)}$ = $\frac{2}{5}$ X $\frac{1.5}{1}$ = 0.6	Only formula given and is correct. (Any of the two formu;a)
1.2c	Eco1.2.2.4	2	If the coefficient of CED > zero or positive – Substitutes. If the coefficient of CED < zero or negative – Complimentary. If the coefficient of CED = zero, the Goods are Independent Goods			Good A & B are substitutes because the CED > zero or positive. - If the coefficient of CED > zero or positive – Substitutes. - If the coefficient of CED < zero or negative – Complimentary. - If the coefficient of CED = zero, the Goods are Independent Goods. - Change in price.	One factor given.

1.2d	Eco1.2.3.10	3	If demand of a good is **relatively elastic**, the producer who raises the price will be faced with falling sales revenue and falling profits. But if demand is **relatively inelastic**, the price increase will lead to increased sales revenue and rising profits.		If demand of a good is **relatively elastic**, the producer who raises the price will be faced with falling sales revenue and falling profits. But if demand is **relatively inelastic**, the price increase will lead to increased sales revenue and rising profits.	To decide whether to increase or decrease the price of its good.	
1.3a	Eco1.3.2.2	2	Arrow drawn from letter i to letter j to show the movement of equilibrium price.			Arrow drawn from letter i to letter j to show the movement of equilibrium price.	Mention the letter j instead of drawing an arrow from i to j.
1.3b	Eco1.3.2.3	2	Area hkf or fkh (Caused by a tax on the good) OR Area ibkf (Caused by factors other than tax eg. Increase in cost of production)			Area hkf or fkh OR Area ibkf	
1.3c	Eco1.3.3.4	3	Shade the area bck		Shade the area bck	Mention the area bck instead of shading the area.	
1.4a	Eco1.3.1.9	1	Marginal cost is the additional cost of producing one more unit of the output.				Marginal cost is the additional cost of producing one more unit of the output. *The idea is correct.*

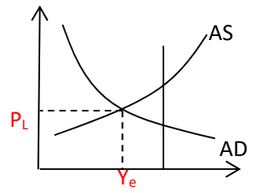
1.4b	Eco1.3.2.7	2	The section of the MC curve that is above the minimum MC curve is the firm's short run supply curve.			The section of the MC curve that is above the minimum MC curve is the firm's short run supply curve.	If marked on the graph the segment of the MC curve above minimum AVC.
1.4c	Eco1.3.1.12	1	(i) 40/ 41 units (ii) $40				(i) 40/ 41 units (ii) $40
1.4d	Eco1.4.1.12	1	Normal profit is a return to the entrepreneur that is just sufficient to keep him in his present activity. Normal profit is earned when the firm breaks even.				Normal profit is a return to the entrepreneur that is just sufficient to keep him in his present activity. Normal profit is earned when the firm breaks even. Normal profit is when total revenue equals total cost.
1.5a	Eco1.4.1.4	1	Curve C				Curve C
1.5b	Eco1.4.4.4	4	 In the long-run, a monopolist makes a supernormal profit because it has control over the market. It can restrict the output to keep the price above its average cost.	*Graph correctly labelled.* In the long-run, a monopolist makes a supernormal profit because it has control over the market. It can restrict the output to keep the price above its average cost. *Idea is correct.*	*Graph correctly labelled* *and explanation partly correct.*	*Graph correctly labelled, ie. P_m and Q_m but no explanation provided or wrong explanation.* Correct explanation graph incorrectly labelled.	*Only one part of the graph correctly labelled, ie. either price or output but no explanation provided.*

1.5c	Eco1.4.1.10	1	Single seller Unique product Price maker Inelastic demand curve Strong barriers to entry				Single seller Unique product Price maker Inelastic demand curve Strong barriers to entry (any one)
2.1a	Eco2.1.1.2	1	Market failure occurs when the market does not achieve allocative efficiency or equitable outcomes.				Market failure occurs when the market does not achieve allocative efficiency or equitable outcomes. *Idea is correct.*
2.1b	Eco2.1.2.2	2	- Existence of imperfect market structures – monopoly, etc. - Externalities - public goods - Inequitable outcomes - Merit & demerit goods			- Existence of imperfect market structures – monopoly, etc. - Externalities - public goods - Inequitable outcomes - Merit & demerit goods (any two)	Only one factor provided.
2.1c	Eco2.1.2.4	2	- taxes - Subsidies - Regulations - direct provision of services - establishment of property rights - payment of transfers			- taxes - Subsidies - Regulations - direct provision of services - establishment of property rights - payment of transfers (any one)	*An explanation close to the correct answer.*
2.1d	Eco2.1.2.5	2	- Goods with externalities - Non-rival & non-depletable - Not excludable by price - Unable to produce for a profit - No price signals			- Goods with externalities - Non-rival & non-depletable - Not excludable by price - Unable to produce for a profit No price signals (any two)	Only one provided.

2.1e(i)	Eco2.1.1.8	1	A natural monopoly occurs when a firm can supply the market at a lower average cost than two or more firms.				A natural monopoly occurs when a firm can supply the market at a lower average cost than two or more firms. *Idea is correct.*
2.1e (ii)	Eco2.1.4.3	4	A natural monopolist may aim to maximise its profits and do this by restricting output in order to charge a higher price. As a result the firm may not gain from potential economies of scale and there will be a loss of allocative efficiency.	A natural monopolist may aim to maximise its profits and do this by restricting output in order to charge a higher price. As a result the firm may not gain from potential economies of scale and there will be a loss of allocative efficiency.	A natural monopolist may aim to maximise its profits and do this by restricting output in order to charge a higher price.	A natural monopolist may aim to maximise its profits.	

2.1e (iii)	Eco2.1.4.18	3	Government can intervene by taking over the ownership, a process known as nationalisation. A privately operated monoply can be regulated to produce at a more desirable level of output in order to increase allocative efficiency. Regulatory prices can be set at the following levels: - Where price equals marginal cost of production, - Where price equals average costs in order to provide a normal rate of return on the firm's investment.		Government can intervene by taking over the ownership, a process known as nationalisation. A privately operated monoply can be regulated to produce at a more desirable level of output in order to increase allocative efficiency. Regulatory prices can be set at the following levels: Where price equals marginal cost of production, Where price equals average costs in order to provide a normal rate of return on the firm's investment.	Government can intervene by taking over the ownership, a process known as nationalisation. OR A privately operated monoply can be regulated to produce at a more desirable level of output in order to increase allocative efficiency	Government can intervene by taking over the ownership, a process known as nationalisation
2.2a	Eco2.1.3.24	3	There is uneven distribution of income in Economy Z.		There is uneven distribution of income in Economy Z. (any correct explanation)		
2.2b	Eco2.1.1.15	1	**Equality** means same. Everyone gets the same amount of income. No one gets more than the other one; all get the same sized share.				**Equality** means same. Everyone gets the same amount of income. No one gets more than the other one; all get the same sized share. *Idea is correct.*

2.2c	Eco2.1.1.16	1	The government can implement a progressive tax system.				The government can implement a progressive tax system. *Idea is correct.*
3.1a	Eco3.2.1.2	1	Monetary policy constitutes Reserve Bank's actions designed to control money supply and the amount of credit in the economy.				Monetary policy constitutes Reserve Bank's actions designed to control money supply and the amount of credit in the economy. *Explanation is correct*.
3.1b	Eco3.1.2.4	2	If the Reserve Bank wishes to reduce money supply, it will use the monetary policy tools such as OCR, interest rate, etc. to achieve its aim.			If the Reserve Bank wishes to reduce money supply, it will use the monetary policy tools such as OCR, interest rate, etc. to achieve its aim. (*Idea is correct.*)	*Explanation is partly correct.*
3.1c	Eco3.2.1.1	1	M_1				M_1
3.2a	Eco3.2.1.6	1	Aggregate Supply shows the quantity of national output (Y) that all producers are willing to supply at each level of output.				Aggregate Supply shows the quantity of national output (Y) that all producers are willing to supply at each level of output.
3.2b	Eco3.2.1.10	1	Fiscal policy refers to changes in taxation and government spending designed to influence the level of aggregate demand to meet government's economic objectives.				Fiscal policy refers to changes in taxation and government spending designed to influence the level of aggregate demand to meet government's economic objectives.

3.2c	Eco3.2.1.12	1					*Use the same diagram as the one in the evidence column.*
3.2d (i)	Eco3.2.1.11	1	Increase G or Decrease T				Increase G or Decrease T (any one)
3.2d (ii)	Eco3.2.3.26	3	When G increases, the AD curve will shift upwards causing an increase in the price level since the AS curve remains the same. The same effect will happen when T is reduced.		When G increases, the AD curve will shift upwards causing an increase in the price level since the AS curve remains the same. The same effect will happen when T is reduced.	When G increases, the AD curve will shift upwards causing an increase in the price level since the AS curve remains the same.	
3.3a	Eco3.1.2.2	2	The credit multiplier is a number that is multiplied by the change in deposits to calculate the increase in money supply in the economy. Credit multiplier = 1/r			The credit multiplier is a number that is multiplied by the change in deposits to calculate the increase in money supply in the economy.	Credit multiplier = 1/r

3.3b	Eco3.2.3.1	3	The credit multiplier has a ripple effect when there is a change in deposits at the commercial banks. It has a multiple effect on the money supply in the economy when the bank lends its excess reserves.		The credit multiplier has a ripple effect when there is a change in deposits at the commercial banks. It has a multiple effect on the money supply in the economy when the bank lends its excess reserves.	The multiplier causes the money supply to increase when the banks lends to the public.	The multiplier causes the money supply to increase.
3.3c	Eco3.2.4.1	4	When commercial banks receive new deposits it can create more deposits by lending its excess reserves. The more money lend to the public the more new deposits can be created. It has a multiple effect on the money supply in the economy.	When commercial banks receive new deposits it can create more deposits by lending its excess reserves. The more money lend to the public the more new deposits can be created. It has a multiple effect on the money supply in the economy.	When commercial banks receive new deposits it can create more deposits by lending its excess reserves.	Any explanation that is closer to the correct one.	Commercial banks have the ability to create more money.