No. 104/2

EDUCATIONAL QUALITY AND ASSESSMENT PROGRAMME

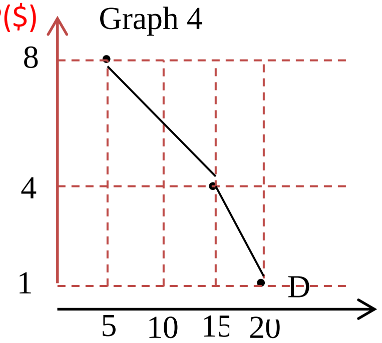
Scoring Rubric 2019

ECONOMICS

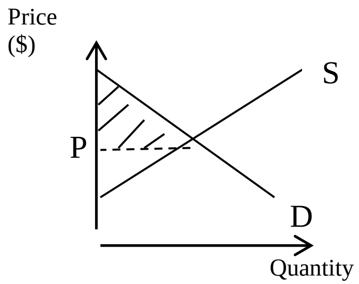
South Pacific Form Seven Certificate

SPFSC ECONOMICS - 2019

No.	LO	Skill score	Evidence	Student Response Level			
				4	**3**	**2**	**1**
1.1a	ECO1.1.2.1	2	Production Possibilities model is a curve that shows the maximum combination of two outputs that an economy can produce using all available resources at a certain level of technology.			Production Possibilities model is a curve/ graph that shows the maximum combination of two outputs that an economy can produce using all available resources at a certain level of technology.	Production Possibilities model shows two outputs or goods. **OR** **PPC Model is a graph/ Curve.**
1.1b	ECO1.1.1.2	1	Allocative efficiency occurs if the combination of goods produced best satisfies the needs of society.				Allocative efficiency occurs if the combination of goods produced best satisfies the needs of society.
1.1c	ECO1.1.2.9	2	The PPC is concave to the origin. OR PPC is bowed outwards.			The PPC is concave to the origin. OR PPC is bowed outwards.	The PPC slope downwards. **OR Negatively-sloped.**

1.1d	ECO1.1.3.2	3	Opportunity cost of producing additional units of one good. The Principle of Increasing Costs – As the production of one good increase, the opportunity cost of producing additional units also increases. The PPC will be concave to the origin. If the opportunity cost of producing additional units remains constant, the PPC will be a straight line, sloping downwards to the right. ***Law of Diminishing Returns***		*The principle of Increasing opportunity costs explained and linked to the shape of the curve* ***Law of Diminishing Returns- As we add a varouble factor to a fixed factor the additions to output will eventually decrease.*** *(Ideas are related)*	*The principle of Increasing opportunity costs explained but not linked to the shape of the curve.*	*Mentioned only "The principle of increasing costs"*
1.2a	ECO1.2.3.1	3	P($)  Q		*Graph correctly drawn and labelled.*	*Graph correctly drawn but not labelled*	*Graph drawn but not on the correct points.*

1.2b	ECO1.2.2.2	2	(i) Increase in consumers' income (ii) Increase in population (iii) Increase in the price of a substitute			*Any two reasons given as in evidence.*	*Only one reason given.*
1.2c	ECO1.2.2.7	2	Mid-Point Formula PED = % change Qty Demanded / % change in Price $= \frac{(Q_2 - Q_1)}{(Q_2+Q_1)/2} \times \frac{(P_2 + P_1)/2}{(P_2 - P_1)}$ = -4/10 X 2.5/1 = 1			Mid-Point Formula PED = % change Qty Demanded / % change in Price $= \frac{(Q_2 - Q_1)}{(Q_2+Q_1)/2} \times \frac{(P_2 + P_1)/2}{(P_2 - P_1)}$ = -4/10 X 2.5/1 = 1 *(Formula & answer provided)**OR Calculation & Answer provided.***	*Only formula given and is correct.* OR *Correct answer only.* OR ***Correct working but wrong answer.***
1.2d	ECO1.2.1.4	1	Price elasticity of demand measures the responsiveness of quantity demanded to a change in price.				Price elasticity of demand measures the responsiveness of quantity demanded to a change in price. *The idea is correct.*
1.3a	ECO1.3.1.12	1	P_2				P_2

1.3bi	ECO1.3.1.6	1	Graph 6 				*Section of the graph shaded correctly.*
1.3bii	ECO1.3.1.3	1	Consumer surplus is the extra utility (benefit) consumers gain over and above what they actually pay for. OR CS is the difference between what consumers are willing to pay & what they actually pay.				Consumer surplus is the extra utility (benefit) consumers gain over and above what they actually pay for. *The idea is correct.*
1.3c	ECO1.3.2.10	2	The market forces of supply and demand determine the equilibrium price and quantity. When prices are either above or below equilibrium, market forces will move in the opposite direction and drive the market back towards equilibrium.			The market forces of supply and demand determine the equilibrium price and quantity. When prices are either above or below equilibrium, market forces will move in the opposite direction and drive the market back towards equilibrium.	*Only the forces of supply & demand mentioned but no explanation given.*

1.3d	ECO1.3.1.10	1	Law of Supply states that as prices increase the quantity that suppliers are willing to supply to the market increases but as price fall quantity supplied decreases.				Law of Supply states that as prices increase the quantity that suppliers are willing to supply to the market increases but as price fall quantity supplied decreases. *Idea is correct.*
1.4a	ECO1.4.1.2	1	Marginal revenue is the additional revenue the firm receives from the sale of one more unit of output.				Marginal revenue is the additional revenue the firm receives from the sale of one more unit of output. *Idea is correct.*

1.4b	ECO1.4.3.8	3	• Equilibrium output is that output where MR = MC. • For any output less than equilibrium output, marginal revenue is greater than marginal cost (MR > MC). The firm will make more profits as long as the extra revenue brought in from selling the last unit of output (MR) is greater than the extra cost (MC) that is incurred in producing it. Producing an output beyond equilibrium output will result in that unit of output adding more to total cost than it adds to total revenue, ie. MR < MC. • It then follows that profit will be maximised at the output where MR = MC.		*More than two ideas provided and they are related.*	*Two ideas are provided but not related to each other.*	*Only one idea provided.*

1.4c	ECO1.4.4.1	4	A monopolist will <u>deliberately restrict output, set a price</u> which is higher that marginal cost and be able to earn supernormal profits. (Price Maker) A Perfectly Competitive Firm is a <u>price taker</u> and has <u>no control</u> <u>over price</u>. The price is set by the market and the firm can sell all its output at the price set by the market. <u>Disadvantages of a monopolist</u>: It will not achieve optimum or allocatively efficient level of output.(Loss of Allocative Efficiency)/ Deadweight Loss <u>Benefits of a monopolist</u> : - Monopoly supernormal profits could be used to pay for Research and development, which could lead to further efficiencies. - If the monopolist is earning significant economies of scale, the firm could charge a price below that of a competitive firm.	*Impacts of decisions on output & pricing are discussed for:* • *A monopolist* • *A Perfectly Competitive Firm* • *<u>Disadvantages</u> and <u>benefits</u> of a monopolist given.*	*Impacts of decisions on output & pricing are discussed for:* • ***A monopolist*** • ***A Perfectly Competitive Firm*** *And* *Either disadvantages or benefits discussed.*	*Impacts of decisions on output & pricing are discussed for:* • ***A monopolist*** • ***A Perfectly Competitive Firm*** *BUT* *Disadvantages & benefits of a monopolist <u>not</u> given.*	*Impacts of decisions on output & pricing for* ***either a monopolist Or A Perfectly competitive Firm.***

2.1a	ECO2.1.1.2	1	Market failure is a situation where the market does achieve allocatively efficient outcomes or equitable outcomes.				*Correct definition given or the idea is orrect.*
2.1b	ECO2.1.1.4	1	Negative externalities of consumption occurs as a result of actions by consumers that reduce benefits for other people.				*Correct definition given or the idea is orrect.*
2.1c	ECO2.1.2.3	2	**The existence of imperfect markets eg. monopolies** **The presence of externalities** **Imperfect Competition** **No Consumer sovereignty** **Imperfect Information** **Imperfect mobility**			*Two conditions provided.*	*Only one condition provided.*
2.1d	ECO2.1.1.5	1	Property rights give exclusive rights to use a resource or property to the owners.				*Correct definition given or the idea is orrect.*
2.2ai	ECO2.1.1.10	1	Economies of scale occurs when a firm increases its output, it average cost falls over a relevant range.				*Correct definition given or the idea is orrect. (Benefits of a large firm.)*

2.2aii	ECO2.1.3.16	3	A natural monopoly occurs when a firm can supply the market at a lower average cost than two or more firms. In the establishment of any network, the firm <u>initially</u> services only a small number of customers and average costs are high. But as more consumers are connected to the same network (ie. output increases) average costs decrease. Therefore, as output increases, the average costs of the firm falls and greater economies of scale are achieved.		*Meaning of a natural monopoly supplied;* *Explanation on how a natural monopoly exists as a result of economies of scale.* *Ideas must be related.*	*Meaning of a natural monopoly provided.* *Meaning of economies of scale provided.* *(The two ideas provided but are not related.)*	Either *The meaning of a natural monopoly provided.* OR *Meaning of economies of scale provided.* *(Only one idea provided)*

2.2b	ECO2.1.4.5	4	Like any other firm, the natural monopoly will aim at maximising profit and will do this by <u>restricting output</u> (to where MR = MC) in order to charge a higher price. As a result, there will be a loss of allocative efficiency. Government can <u>intervene</u> to encourage the firm <u>to increase output.</u> Under public ownership, the government could operate the monopoly at an <u>allocatively efficient level of output</u>, charge a price equal to marginal cost and cover losses out of tax revenues. <u>Consumers benefit from the lower price and the economy achieves allocative efficiency</u>.	*Important points underlined are discussed and they are connected to each other.* *Effects on consumers provided in order to support answer.*	*Only two points discussed and they are linked to each other.*	*Two ideas are provided:* *Either* *The two benefits are provided* *OR* *Public ownership of the natural monopoly discussed with one benefit.*	*Only one benefit is provided.*

2.3a	ECO2.1.1.1 4	1	Equality is where different people have the same level of economic resources and income available for them. OR 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 is where different people have the same level of economic resources and income available for the. *Idea is correct.*
2.3b	ECO2.1.2.1 3	2	(i) Progressive income taxes (ii) Public provision – collective goods (iii) Subsidies (iv) Regulations such minimum wages (v) Transfer Payments			*Any two ideas provided.*	*Only one idea provided.*
2.3c	ECO2.1.3.2 4	3	Economy Y has an uneven distribution of income because its Lorenz curve is away from the line of absolute equality (Curve A) The further the Lorenz Curve away from the line of absolute equality, the more uneven the distribution of income.		Economy Y has an uneven distribution of income because its Lorenz curve is away from the line of absolute equality (Curve A) *(Correct explanation with the reason provided)*	Economy Y has an uneven distribution of income. (*No explanation on the position of the Lorenz Curve)*	*Only the description of the Lorenz Curve provided.*

2.3d	ECO2.1.1.15	1	(i) Each employee is paid according to his/ her qualification and experience. (ii) High Income earners pay a higher percentage of income tax than low income earners.				*Any one feature provided.*
3.1a	ECO3.1.1.6	1	Balance of Payments is a record of transactions (inflow and outflow of money) of a country and the rest of the world.				Balance of Payments is a record of transactions (inflow and outflow of money) of a country and the rest of the world.
3.1b	ECO3.1.1.8	1	Net private borrowing overseas Net government borrowing overseas				*Any one of the two* *OR* *Just the word "borrowings"* *OR* *Any item outside the table*
3.1c	ECO3.1.2.7	2	The Current Account Balance of Payments include (i) the Balance of Trade/ Merchandise (Export and Import of goods) (ii) Invisibles: (Trade of services, Income & Transfers)			*Any one element/ feature and the description provided.*	*Only one correct element stated but no description provided.*

3.1d	ECO3.1.4.3	4	A change in net exports (X-M) will shift the aggregate demand curve. An increase in net exports will lead to an increase in aggregate demand and it could come about from either an increase in exports or a decrease in imports. When there is excess capacity and the economy is within the production possibilities frontier, an increase in aggregate demand will lead to a small increase in the price level, but a large increase in the level of output, employment and income. When the economy is nearer to full employment level and existing capacity is being fully utilised, an increase in aggregate demand will be very inflationary. There will be a large increase in price level and a relatively small increase in the level of output, employment and income.	*Impact on both price level and level of output, employment & income discussed under:* - *Excess capacity* - *Existing capacity fully utilised.*	*Impact on either price level or level of output, employment & income discussed under:* - *Excess capacity & Existing capacity fully utilised.* *(Ideas are related)*	*Impact on either price level or level of output, employment & income discussed with no reference to the use of resources.*	A change in net exports (X-M) will shift the aggregate demand curve. OR An increase in net exports will lead to an increase in aggregate demand. (*Only one idea is provided*)

3.1ei	ECO3.1.1.10	1	Terms of trade is the ratio of export prices to import prices. The TOT index indicates the volume of imports that can be purchased from a given unit of exports.				Terms of trade is the ratio of export prices to import prices. OR The TOT index indicates the volume of imports that can be purchased from a given unit of exports.
3.1eii	ECO3.1.2.11	2	A favourable terms of trade indicates export prices rising at a greater rate than import prices. OR A favourable terms of trade indicates export prices rising while import prices are falling.			A favourable terms of trade indicates export prices rising at a greater rate than import prices. OR A favourable terms of trade indicates export prices rising while import prices are falling.	Export prices are more than import prices.
3.2a	ECO3.2.1.1	1	Demand Deposits				Demand Deposits.

3.2b	ECO3.2.3,1	3	• The amount of credit created is determined by the credit multiplier. • Credit multiplier is 1/r where r is the reserve ratio (ie. a percentage of deposits in the banks that must be kept as reserves) This means that any change in deposits will be multiplied by the multiplier to calculate the total increase in money supply. The lower the reserve ratio (r) the higher the multiplier and the more money can be created. • The credit multiplier has a ripple effect when there is a change in deposits at the commercial banks.		*Description of the credit multiplier & how it works to increase money suplly provided.* *(Ideas are related)*	*Two ideas provide but not related.*	*Only one idea provided from the points mentioned in the evidence required.*
3.2c	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. Reserve Bank's actions to control inflation and achieve price stability.				*Any one correct explanation.*

3.2d	ECO3.2.2.5	2	The interest rate for the economy is determined by the interaction of money supply and money demand in the money market. The money demand is set by consumers and business while the money supply is set by the Reserve Bank.			*Description of money supply and money demand in determing the interest rate provided.*	*Description of either money supply or money demand.*
3.2e	ECO3.2.2.7	2	An increase in real interest rate will decrease consumption by delaying consumer spending. Consumers would prefer to delay spending to later when interest rate increases because the opportunity cost of spending their money is the interest that could be earned by leaving it in the bank.			An increase in real interest rate will decrease consumption by delaying consumer spending. Consumers would prefer to delay spending to later when interest rate increases because the opportunity cost of spending their money is the interest that could be earned by leaving it in the bank.	*Effect of an increase in the interest given but no explanation provided.*