



**EDUCATIONAL QUALITY AND
ASSESSMENT PROGRAMME**



***Scoring
Rubric
2021***

**South Pacific
Form
Seven
Certificate**

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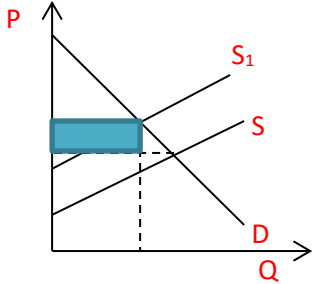
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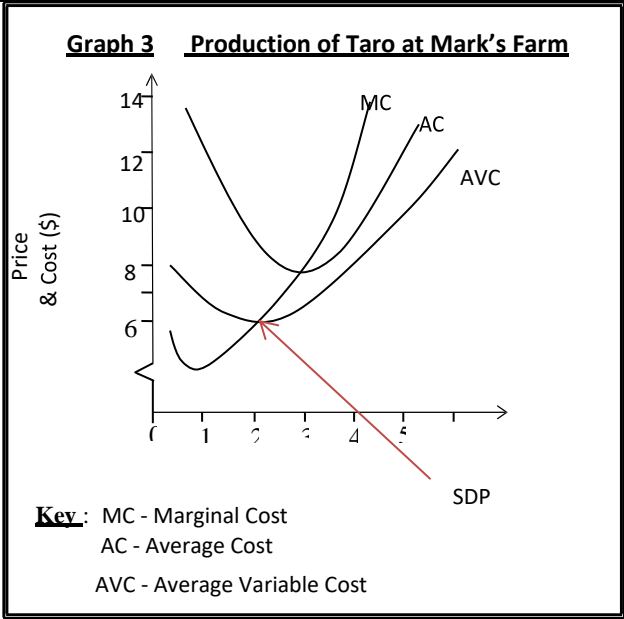
SPFSC ECONOMICS - 2021**Scoring Criteria**

No.	SLO	Skill score	Evidence	Student Response Level			
				4	3	2	1
1.1a	Eco1.1.1.6	1	If the Fiji economy chooses to increase the production of sugar some units of dalo will be sacrificed and vice versa. OR Moving from one point to another on the PPC will involve an opportunity cost.				<i>Any movement from one point to another on the PPC will involve an opportunity cost.</i>
1.1b	Eco1.1.2.11	2	Productive efficiency involves producing a combination of two goods using all available resources and technology. It means producing on the PPC, not inside or outside the PPC.			Producing on the PPC. OR Producing any combination on the PPC. OR All available resources & technology used in the production of goods.	<i>Any point on the PPC is mentioned (Idea is correct)</i>

1.1c	Eco1.1.3.2	3	The PPC is concave to the origin because of the <u>principle/law of increasing cost</u> . As the production of one good (eg. sugar) increases, the <u>opportunity cost</u> (in terms of dalo) <u>increases</u> . It means more units of dalo have to be sacrificed in order to obtain additional units of sugar. Eg movement from point B to C results in an opportunity cost of 10 units of dalo; from point C to D 20 units of dalo and from D to E 40 units of dalo.		<i>The reason for the shape explained.</i> <i>OR</i> <i>The relationship between the concave PPC and the increase in opportunity cost must be mentioned.</i>	<i>Only the Principle/ law of increasing cost mentioned but the relationship to the shape is not included.</i>	Increase in opportunity cost.
1.2a	Eco1.2.1.9	1	Income elasticity of demand measures the responsiveness of demand for a good to a change in consumer income.				<i>Definition is correct</i> <i>(Idea is correct)</i>
1.2b (i)	Eco1.2.1.11	1	Good A				Good A
1.2b (ii)	Eco1.2.3.8	3	Good A is a luxury good because the coefficient of income elasticity of demand (YED) is greater than 1. It means that a small percentage change in income results in a larger percentage change in quantity demanded for the good.		<i>Relationship between the type of good and the coefficient of YED must be included.</i> <i>The reason for the coefficient explained.</i>	<i>The coefficient of income elasticity of demand (YED) is greater than 1</i> <i>Description of the coefficient mentioned but not related to the type of good (ie. luxury good)</i>	<i>The coefficient of income elasticity of demand (YED) is greater positive.</i>
1.2c	Eco1.2.2.3	2	$PED = \frac{\Delta Q}{(Q_1 + Q_2)} \div \frac{\Delta P}{(P_1 + P_2)}$ $= (200/700) \div (1/5.5)$ $= (200/700) \times 5.5$ $= \underline{1.57}$			<i>Correct formula, working and answer</i> <i>OR</i> <i>Correct answer only.</i>	<i>Either correct formula</i> <i>OR</i> <i>Correct working but final answer is wrong.</i>

1.2d	Eco1.2.3.9	3	<p>If demand for a good is relatively elastic ie. PED is greater than 1, the producer who raises the price will be faced with falling sales revenue and falling profits. But if the demand is relatively inelastic, the price increase will lead to increased sales revenue and rising profits. Therefore firms should only increase the price of goods with relatively inelastic demand and not those with elastic demand.</p>		<p><i>Elasticity of demand and the resultant change in sales revenue and profits caused by the change in price explained.</i> <i>And</i> <i>The pricing decision of the firm based on the type of elasticity.</i></p> <p><i>(Ideas must be related)</i></p>	<p>Firms will increase the price if a good has inelastic demand but not if the good has an elastic demand.</p>	<p><i>Any one correct idea</i></p>
1.2e	Eco1.2.1.2	1	<p>The law of demand states that quantity demanded falls as price increases but increases as price falls.</p>				<p><i>Idea is correct.</i></p>
1.3a	Eco1.3.1.11	1					<p><i>Correct area shaded.</i></p>

1.3b	Eco1.3.3.4	3	<p>At market equilibrium the total of consumer plus producer surplus is maximised and allocative efficiency is achieved. It means that scarce resources are allocated to the production of goods and services in such a way that consumer wants and needs are met in the best way possible.</p> <p>When some <u>outside control is imposed on the market</u> so that market equilibrium cannot be achieved, the result will be a <u>loss of allocative efficiency – deadweight loss</u>.</p> <p>Examples of outside controls on the market – government price controls such as indirect tax, price ceiling and price floor. Outside controls may result in either a surplus or shortage in the market leading to a loss of either consumer or producer surplus.</p>		<p>At market equilibrium scarce resources are allocated to the production of goods and services in such a way that consumer wants and needs are met in the best way possible (Allocative efficiency).</p> <p>There is neither a shortage nor surplus.</p> <p>There is no loss of either consumer or producer surplus.</p> <p>(Ideas are related)</p>	<p><i>Any two ideas described but the relationship is not mentioned.</i></p>	<p><i>Any one correct idea mentioned.</i></p>
1.3c	Eco1.3.1.6	1	<p>Producer surplus is the difference between the price the seller receives for the commodity and the cost of producing it.</p> <p>It is actually the profit made by the seller of the commodity.</p>				<p><i>Idea is correct</i></p>

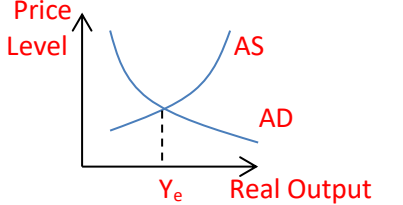
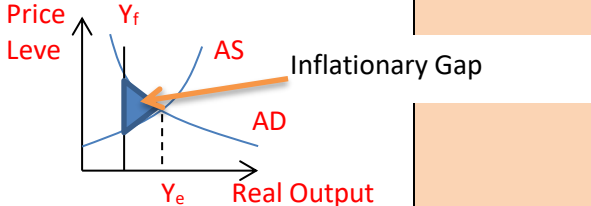
1.4a (i)	Eco1.3.1.16	1	<p>Graph 3 Production of Taro at Mark's Farm</p>  <p>Key: MC - Marginal Cost AC - Average Cost AVC - Average Variable Cost</p>			Correct point identified.	
1.4a (ii)	Eco1.4.2.6	2	<p>Normal Profit: $= (P - C) \times \text{Break-even Quantity}$ $= (\\$8 - \\$8) \times 3\,000 \text{ units}$ $= \underline{\\$0}$</p>			Correct formula and answer provided OR Correct answer only.	Correct formula but wrong answer derived; OR Only the correct formula provided.
1.4b	ECO1.4.1.7	1	<p>Perfect competition refers to a market where there are many sellers of a homogenous/same product.</p>				Correct definition OR Idea is correct.

1.4c	ECO1.4.4.2	4	<p>Average revenue (AR) is the revenue earned from selling one unit of output and will be the same as price and will be represented by the demand curve of the firm. Marginal revenue (MR) is the additional revenue earned from selling one more unit of output. As the firm is a price-taker with no control over price, the firm will have to sell at the price determined by the market. Thus the firm faces a horizontal demand curve, therefore $MR=AR=Price$. Total revenue of the firm will be its price (ie. Market price X the quantity where $MC = MR$. For example, if the market price is \$8 and the output where $MR=MC$ is 200 units, the firm's total revenue will be \$1,600 (ie. $\\$8 \times 200$ units)</p>	<p><i>Definition of AR and MR or total revenue</i></p> <p><i>AND</i></p> <p><i>The firm as a price-taker with no control over price</i></p> <p><i>The firm will have to sell at the price determined by the market. Thus the firm faces a horizontal demand curve, therefore $MR=AR=Price$.</i></p> <p><i>PLUS</i></p> <p><i>Any correct example provided.</i></p>	<p><i>Definition of AR and MR or total revenue</i></p> <p><i>AND</i></p> <p><i>The firm as a price-taker with no control over price</i></p> <p><i>The firm faces a horizontal demand curve, therefore $MR=AR=Price$.</i></p>	<p><i>Definition of AR and MR or total revenue (any two).</i></p> <p><i>OR</i></p> <p><i>The firm as a price-taker with no control over price will have to sell at the price determined by the market.</i></p> <p><i>OR</i></p> <p><i>The firm faces a horizontal demand curve, therefore $MR=AR=Price$.</i></p>	<p><i>Any one correct idea.</i></p>
2.1a (i)	ECO2.1.1.2	1	<p>Market failure refers to a situation where the market does not achieve allocative efficiency or equitable outcomes.</p>				<p><i>Correct definition</i></p> <p><i>OR</i></p> <p><i>The idea is correct</i></p>
2.1a (ii)	ECO2.1.1.3	1	<ul style="list-style-type: none"> • Climate change resulting from green-house effect. • Externalities (side-effects) of consumption and production • Rise in sea level (Any one example above) 				<p><i>Any one correct example provided.</i></p>

2.1a (iii)	ECO2.1.2.4	2	<ul style="list-style-type: none"> • The existence of Imperfect markets structures • Externalities • Public goods • Merit & demerit goods • Inequitable outcomes – eg. Differences in private and social equilibrium 			<i>Description of any conditions in the evidence column.</i>	<i>Any one condition stated but not described.</i>
2.1b	ECO2.1.2.1	2	<p>Features of free market:</p> <ul style="list-style-type: none"> - no government interference - consumer sovereignty - perfect competition - perfect mobility 			<i>Description of any one feature</i>	<i>One feature stated but not described.</i>
2.1c (i)	ECO2.1.1.12	1	A natural monopoly exists when a single firm can supply a good at a lower average cost than two or more competing firms.				<i>Correct definition provided OR The idea is correct.</i>
2.1c (ii)	ECO2.1.1.11	1	<p>Economies of scale occurs when an increase in output of a firm leads to a decrease in per unit cost.</p> <p>It can be shown as a downward-sloping longrun average cost (LRAC)</p> <p>Economies of scale occur in the long run when all inputs are variable and diminishing returns are no longer relevant.</p>				<i>Any correct definition as in the evidence column.</i>

2.1c (iii)	ECO2.1.3.16	3	<p>Like other firms the natural monopoly will aim at profit maximising and will do this by restricting output (to profit-maximising level where $MR = MC$) in order to charge a higher price.</p> <p>As a result there will be a loss of allocative efficiency.</p> <p>Government may intervene to encourage the firm to increase output. To achieve this government could takeover the ownership of the industry, a process known as nationalisation.</p> <p>Under public ownership the firm could increase output, charge a price equal to marginal cost and cover losses out of tax resources.</p>		<p><i>Relationship between the aim to maximise profits and a loss of allocative efficiency which requires government intervention to achieve the socially desirable equilibrium;</i></p> <p><i>Ways in which the Government intervenes to control prices and manage losses incurred by the firm.</i></p>	<p><i>Any two ideas provided but not related to each other.</i></p>	<p><i>Only one correct idea provided.</i></p>
2.1c (iv)	ECO2.1.2.9	2	<p>The monopoly firm could operate at an allocatively efficient level of output</p> <p>And</p> <p>Consumers benefit from the lower price and the economy achieves allocative efficiency.</p>			<p><i>Any two correct ideas provided.</i></p>	<p><i>Only one correct idea provided.</i></p>
2.1d	ECO2.1.2.15	2	<p>Government price controls resulting in either a shortage or a surplus in the market.</p>			<p><i>Government price controls</i> <i>OR</i> <i>Example of price control provided – price ceiling/ price floor/ indirect tax.</i></p>	<p><i>Any one correct idea.</i></p>

2.2a	ECO2.1.2.14	2	<ul style="list-style-type: none"> • Progressive income tax • Transfer payments • Subsidies • Regulation such as minimum wages • Affirmative actions 			Any two correct ideas provided.	Any one correct idea.
2.2b	Eco2.1.3.21	3	<p>Graph Lorenz Curve</p>		<p>All correctly labelled:</p> <ul style="list-style-type: none"> - Line of Complete equality - Axes - Lorenz curve – Global economy 	Only Line of complete equality and Lorenz curve for the Global Economy drawn and correctly labelled.	Only Line of complete equality and Lorenz curve for the Global Economy drawn but not labelled.
3.1a	ECO3.1.1.2.1	1	<p>Real GDP = $\frac{\text{Nominal GDP} \times \text{Base Yr Price Index}}{\text{Price Index}}$ = $\frac{150000\text{m}}{3000} \times 1000$ = <u>\$50,000m</u></p>			Correct formula & answer OR Correct answer only	Correct formula only
3.1b	ECO3.1.3.2	3	Nominal GDP is the value of goods & services measured at that year's prices whereas Real GDP is GDP measured at constant prices/ base year's prices.		Differences clearly explained	Definition of the two terms stated separately.	Only one correct idea

3.1c	ECO3.1.2.3	2	<p>GDP = Factor Income + Net Indirect Taxes = 22m + 30m + 10m = \$62m</p>	-		<p>Correct formula & answer OR Correct answer only</p>	<p><i>Correct formula only.</i></p>
3.1d	ECO3.1.1.5	1	<p>AD = C + I + G + X – M where C = Private Consumption I = Investment/ Fixed Capital Formation G = Government consumption X = Export of goods & services M = Import of goods & services</p>				<p><i>All correct components identified either in the form of an equation or listed separately.</i></p>
3.2a (i)	ECO3.2.1.14	1					<p><i>Correct point labelled.</i></p>
3.2a (ii)	ECO3.2.2.19	2				<p>Correct position for the Y_f Curve and labelled; AND Correct area shaded</p>	<p><i>Either correct position for the Y_f Curve and labelled OR Correct area shaded</i></p>
3.2a (iii)	ECO3.2.1.17	1	<p>An inflationary gap is where equilibrium income is greater than full employment level of income</p>				<p><i>Correct definition provided.</i></p>

3.2a (iv)	ECO3.2.2.20	2	<ul style="list-style-type: none"> Aggregate demand is greater than aggregate supply Current spending intentions of all sectors of the economy are running ahead of current production plans of business firms. 			<i>Two correct ideas provided</i>	<i>Any one correct idea provided.</i>
3.2b	ECO3.2.1.2	1	Notes and coins held by the public.				<i>Correct component identified.</i>
3.2c	ECO3.2.1.3	1	Monetary policy involves Reserve Bank's actions to control the amount of credit by controlling money supply.				<i>Correct definition provided</i> <i>OR</i> <i>Idea is correct.</i>

3.2d	ECO3.2.4.1 (Applies only to current SPFSC)	4	<p>If new money is deposited in the banking system there is a <u>primary expansion</u> in money supply. This will result in the banks holding more reserves than prudence requires. The extra money can lead to a <u>secondary expansion</u> when it is lent out as loans to customers, a process known as credit creation. Banks are able to charge a higher rate of interest from borrowers than they pay to savers which enables them to <u>make a profit</u>. As a result banks will want to lend out as much as is prudent so they can maximise their profits . The eventual increase in money supply will be a multiple of the new money deposited. This is because when loans are spent the money is redeposited (perhaps in a different bank) and the <u>overall deposits of the banking system increase</u>.</p>	<p><u>Secondary expansion of M_s</u> Banks will lend excess reserves which leads to new deposits.</p> <p>AND Banks making profit by charging higher interest than what they pay.</p> <p>AND New deposits created as a result of banks' lending leading to an overall increase in money supply in the economy.</p> <p>AND specific examples.</p>	<p>The credit creation process explained. (Ideas must be related)</p>	<p>Any two ideas provided separately.</p>	<p>Any one correct idea.</p>
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