Assessment Schedule – 2023

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
*Demonstrate **understanding** involves:* - identifying, describing, or providing an explanation of how producer, consumer, and / or government choices affect market equilibrium - identifying, describing, or providing an explanation of how changes in market equilibrium affect different sectors - clearly illustrating changes using the supply and demand model.	*Demonstrate **in-depth understanding** involves:* - providing a detailed explanation, using the supply and demand model, of how producer, consumer, and / or government choices affect market equilibrium - providing a detailed explanation, using the supply and demand model, of how changes in market equilibrium affect different sectors.	*Demonstrate **comprehensive understanding** involves:* - linking detailed explanations of how producer, consumer, and / or government choices affect market equilibrium, with detailed explanations of how those changes affect different sectors - integrating changes in supply and demand into detailed explanations.

Evidence

Q1	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	See Appendix.	• Completes the market supply schedule with no more than one incorrect figure.		
(b)	See Appendix.	• Plots market supply curve correctly and $3.50 and 3 000. • Equilibrium price and quantity identified.		
(c)	See Appendix.	Correctly identifies: • surplus • Qs • Qd.		
(d)(i) (ii) (iii) (iv)	At a price of $4.50, there is a surplus of 1 000 loaves of bread. This is because the quantity supplied (3 400) is greater than the quantity demanded (2 400). Both the supermarket and the dairy will lower the price, from $4.50 to $3.50 per loaf, to sell the excess bread and clear the surplus. As the price is lowered, the quantity supplied of bread will decrease from 3 400 to 3 000 loaves as bread is less profitable to supply (law of supply, *ceteris paribus*). The quantity demanded will increase from 2 400 to 3 000 loaves as bread becomes more affordable for consumers (law of demand, *ceteris paribus*). When equilibrium is restored, the price will be $3.50 and the quantity will be 3 000 loaves, where Qs = Qd.	• Explains the surplus, decrease in price, and equilibrium being restored.	• Explains the surplus, decrease in price, and equilibrium being restored – giving a reason for the price decrease and referring to the law of supply and demand.	• Explains in detail the surplus, decrease in price, and equilibrium being restored – giving a reason for the price decrease and integrating the law of supply and demand, referring to profitability, affordability, and relevant data.

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.
				Uses detailed explanations in context, and mostly correct data.		Uses integrated explanations in context, and correct data and economic terminology.	

N0 = No response; no relevant evidence.

Q2	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	See Appendix.	• Demand curve shifted to the right, with arrow or label. • Higher equilibrium price and quantity shown.		
(b)	An increase in market demand will increase the equilibrium price of bread from Pe to P_1. This is because a shortage will be created at Pe, so consumers will bid up the price of bread. The equilibrium quantity will increase as producers will increase the quantity supplied as the price increases, and bread becomes more profitable to produce (and the quantity demanded will decrease as bread is less affordable) until equilibrium is restored at Q_1.	• Describes an increase in the equilibrium price and quantity,	Explains an: • increase in the equilibrium price OR • increase in the equilibrium quantity. Must give a valid reason for the increase.	Explains in detail an: • increase in the equilibrium price AND • increase in the equilibrium quantity. Must give a valid reason for the increase.
(c)	Consumer spending equals the price multiplied by the quantity consumers' purchase. Hence, the increase in market demand will increase consumer spending due to the higher price paid (P_1) and the higher quantity purchased (Q_1) – from Pe * Qe to P_1 * Q_1.	• Describes consumer spending OR • identifies that consumer spending will increase.	• Explains how consumer spending is calculated and how it will increase.	• Explains in detail how consumer spending is calculated and how it will increase, with reference to higher price paid and greater quantity purchased.
(d)	Possible flow-on effects for the supermarket and dairy: • Increased revenue as more bread is sold at a higher price. • Will have to purchase more bread from their suppliers to meet the extra demand. • May have increased revenue from sales of other food items, as additional bread customers may buy other goods that they see in the store. • May require checkout staff to work longer hours (or employ more workers) to process increased sales.		• Explains ONE flow-on effect for the supermarket and dairy. Must give a valid reason for the flow-on effect.	• Explains TWO flow-on effects for the supermarket and dairy. Must give a valid reason for both flow-on effects.

N1	N2	A3	A4	M5	M6	E7	E8
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				Uses detailed explanations in context, and mostly correct data.		Uses integrated explanations in context, and correct data and economic terminology.	

N0 = No response; no relevant evidence.

Q3	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
(a)	See Appendix.	• New supply curve drawn and labelled. • New equilibrium price identified. • New equilibrium quantity identified.		
(b)	See Appendix.	• At least four correct answers.	• At least six correct answers.	
(c)	The price consumers pay will decrease from $3.50 to $3.00 per loaf. This is because the bread producers will pass on some of the cost reduction from the subsidy by lowering prices. Consumer spending will increase by $75 million, from $3.50 × 150 million to $3.00 × 200 million. This is because they are buying more bread at a lower price.	Describes the change in: • the price consumer pays OR • consumer spending	Explains the change in: • the price consumer pays OR • consumer spending Must give a valid reason for the change.	Explains in detail the change in: • the price consumer pays AND • consumer spending. Must give a valid reason for the change.
(d)	The price producers receive will increase from $3.50 to $4.00, as they will receive the new equilibrium price of $3.00 plus the $1.00 subsidy. Producer revenue will increase by $275 million, from $3.50 × 150 million to $4.00 × 200 million. They are selling more bread at a higher price received.	Describes the change in: • the price producers receive OR • producer revenue.	Explains the change in: • the price producers receive OR • producer revenue. Must give a valid reason for the change.	Explains in detail the change in: • the price producers receive AND • producer revenue. Must give a valid reason for the change.
(e)	Possible advantages / disadvantages of subsidy compared to a maximum price control: • Subsidy clears the market (Qs = Qd) whereas a maximum price control creates a shortage. • Subsidy results in a greater quantity purchased / sold whereas a maximum price control may reduce purchases / sales due to shortage created. • Government has to pay the subsidy whereas the maximum price control requires no government payment. • Subsidy may result in some firms operating less efficiently.		Explains: • one advantage OR • one disadvantage.	Explains in detail: • one advantage AND • one disadvantage.

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				Uses detailed explanations in context, and mostly correct data.		Uses integrated explanations in context, and correct data and economic terminology.	

N0 = No response; no relevant evidence.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 6	7 – 13	14 – 18	19 – 24

Appendix

Question 1(a)

| Market supply schedule for bread (per month)			
Price per loaf ($)	**Quantity supplied (Supermarket)**	**Quantity supplied (Dairy)**	**Market supply**
2.00	1 500	500	2 000
2.50	1 700	700	2 400
3.00	1 950	850	2 800
3.50	2 100	900	3 000
4.00	2 280	920	3 200
4.50	2 450	950	3 400
5.00	2 900	1 100	4 000

Question 1(b) and 1(b)

Graph One: Market for bread (per month)
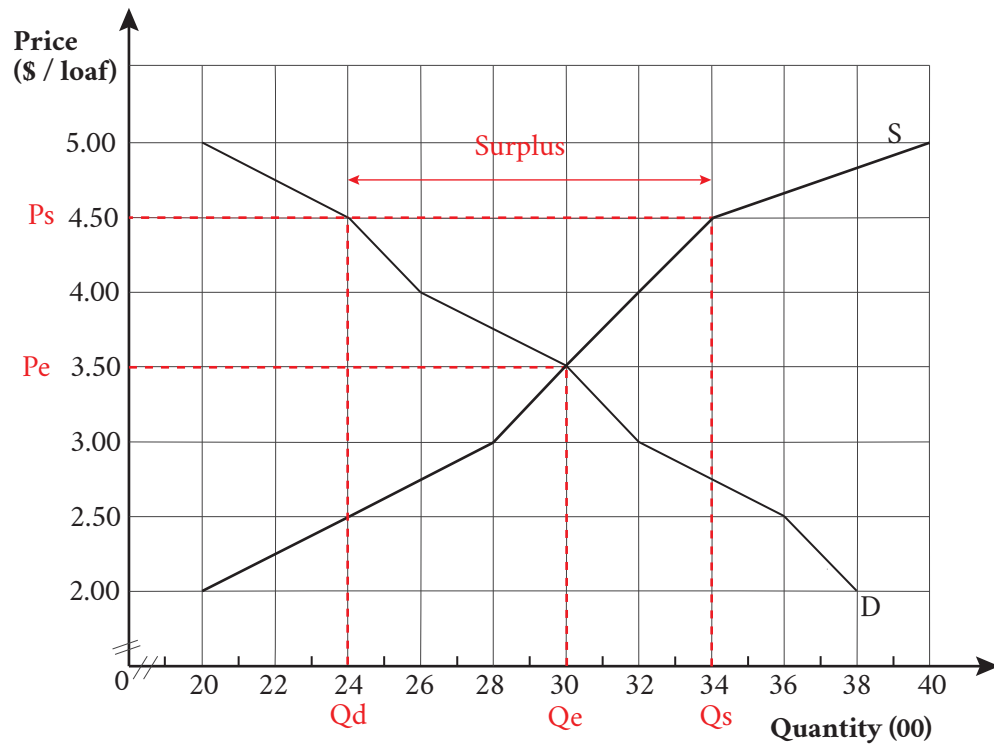
Question 2(a)

Graph Two: Market for bread (per month)

Question 3(a)

Graph Three: New Zealand annual bread market
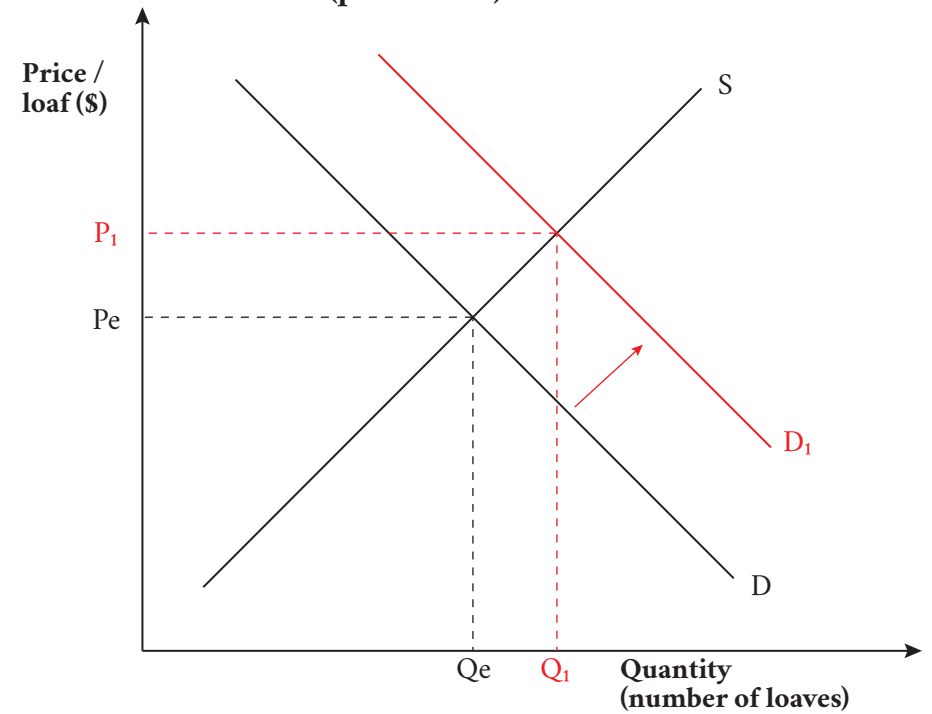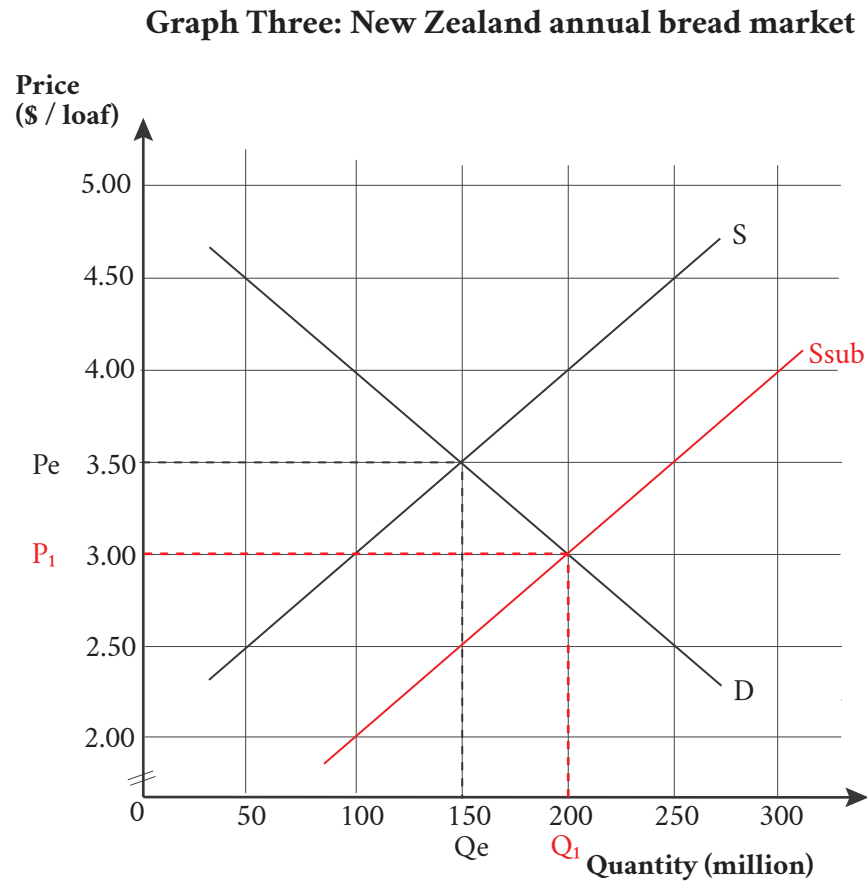
Question 3(b)

	Before subsidy	After subsidy
Price consumer pays	$3.50	$3.00
Price producer receives	$3.50	$4.00
Quantity of bread sold	150 million	200 million
Consumer spending	$525 million	$600 million
Producer revenue	$525 million	$800 million