

## Marking key

## Section One: Multiple choice

(18 marks)

1	d	10	c
2	c	11	a
3	b	12	b
4	c	13	d
5	b	14	b
6	b	15	a
7	d	16	a
8	d	17	a
9	a	18	c

## Section two: Data interpretation/Short response

(24 marks)

## Question 19

(12 marks)

	Description	Marks
(a)	<b>State the maximum price (price ceiling) for chicken in Malaysia</b> - RM8.90	1
(b)	<b>With reference to the extract, explain why the price ceiling may be unsustainable.</b> - Rising costs (1m) - <i>Explanation:</i> Difficult for sellers to turn a profit (1m)	2
(c)	<b>With the aid of a diagram, explain how using ‘vacant plots of land’ to breed chicken would affect the price for chicken.</b> - <b>Diagram</b> - accurately drawn, labelled and referred to (1m) - Increase in supply (1m) - Surplus at original price (1m) - Fall in equilibrium price (1m)	4
(d)	<b>With the use of a diagram, discuss the impact of imposing a price ceiling on the market for chicken.</b> - <b>Diagram</b> - accurately drawn, labelled and referred to (1m) - <b>Discussion</b> of Impact on: <ul style="list-style-type: none"> <li>➤ Definition (1m)</li> <li>➤ Price and quantity (1m)</li> <li>➤ Consumer and producer surplus (1m)</li> <li>➤ Efficiency – relate to DWL (1m)</li> <li>➤ Equity (1m)</li> </ul> <b>Note:</b> Maximum of 3 marks if mere stating of effects	5

**Question 20**

**(12 marks)**

	Description	Marks
a.	<p><b>With reference to the extract, state the impact of fuel price surges on the use of e-scooter trips across Australia</b></p> <p>“15.5 per cent increase in e-scooter trips”</p>	1 mark
b.	<p><b>Describe the relationship between cars and petrol.</b></p> <p>Describe the relationship between cars and petrol</p> <ul style="list-style-type: none"> <li>- Complementary goods</li> <li>- As price of petrol increases, demand for cars will decrease</li> </ul>	<p>1-2 marks</p> <p>1-2 marks</p>
c.	<p><b>With reference to the extract and the car market, explain the factor affecting i. demand and ii. Price elasticity of demand</b></p> <p>Explanation of factor affecting demand and price elasticity with link to the article. Could discuss:</p> <ul style="list-style-type: none"> <li>- Decrease in demand due to higher petrol price</li> <li>- Decrease in price elasticity of demand due to availability of substitutes</li> </ul>	1-2 marks
d.	<p><b>Due to price of petrol surging, the Australian government is providing a subsidy to producers in the petrol market. Demonstrate and explain the impact of this</b></p> <p>Accurately drawn diagram:</p> <ul style="list-style-type: none"> <li>- Labelled- axes, DD and SS curves</li> <li>- Correct shift of supply curve</li> <li>- Impact on equilibrium price and quantity</li> <li>- Diagram referred to</li> </ul> <p>Explanation:</p> <ul style="list-style-type: none"> <li>- Increase in quantity</li> <li>- Decrease in price paid by consumers and increase in price received by producers</li> <li>- Increase in consumer and producer surplus</li> <li>- Reduction in efficiency (discuss deadweight loss)</li> </ul>	<p>1-2 marks</p> <p>1-3 marks</p>

**Section Three: Extended response****(40 Marks)****Question 21****(20 marks)**

(a) Explain the law of demand and discuss four factors affecting demand.

Description	Marks
<b>Law of Demand</b>	
Explains the law of demand referencing the income and substitution effects	2 marks
Defines the law of demand	1 mark
<b>Factors affecting Demand (Four factors, up to two marks each)</b>	
Explains a factor affecting demand	2 marks
Identifies a factor affecting demand	1 mark
Factors could include: <ul style="list-style-type: none"><li>- Price</li><li>- Non-price factors<ul style="list-style-type: none"><li>o Level of disposable income</li><li>o Price of related goods</li><li>o Tastes and preferences</li><li>o Expectations of consumers</li><li>o Demographic factors</li></ul></li></ul>	
	<b>/10 marks</b>

(b) Using a demand/supply model, explain the concept of equilibrium in a competitive market and how the price mechanism works to clear a market.

Description	Marks
<b>Equilibrium in a competitive market</b>	
Explains how market forces in a competitive market create equilibrium	1 -2 marks
<b>Models</b>	
Two correctly labelled demand and supply diagrams showing surplus and shortage.	1 – 3 marks
<b>Explanation</b>	
Definitions: Price mechanism, surplus and shortage	1 mark
Effects of a surplus, including: <ul style="list-style-type: none"><li>- Producers/firms put stock on sale</li><li>- Price falls</li><li>- Resulting expansion in demand and contraction in supply</li><li>- Leading to lower price</li></ul>	1 – 2 marks
Effects of a shortage, including: <ul style="list-style-type: none"><li>- Consumers start to outbid each other</li><li>- Price rises</li><li>- Resulting expansion in supply and contraction in demand</li><li>- Leading to higher price</li></ul>	1 – 2 marks
	<b>/10 marks</b>

**Question 22****(20 marks)**

- (a) Using an appropriate diagram and examples, distinguish between positive and negative externalities.

Description	Marks
<b>Models</b>	
Two correctly labelled demand and supply diagrams showing positive and negative externalities	1 – 4 marks
<b>Explanation</b>	
Definitions: Externalities	1 - 2 marks
Distinguishes between positive and negative externalities. Eg. <ul style="list-style-type: none"><li>- Private cost (benefit) vs Social cost (benefit)</li><li>- Price mechanism fails to capture true cost or benefit - deviation between private cost (benefit) and social cost (benefit)</li><li>- Identify externality for each failure type</li><li>- Under or Overallocation of resources resulting in inefficiency</li></ul>	1 – 4 marks
Utilises examples to support distinction.	1 – 2 marks
	<b>/12marks</b>

- (b) Discuss three policy options that could be used to address market failure occurring due to externalities.

Description	Marks
<b>Definition</b>	
Market Failure	1 mark
<b>Policies (three policies required, up to three marks each)</b>	
Discusses a policy that can address externalities	2 – 3 marks
Identifies or briefly describes a policy that can address externalities	1 mark
Policies could include: <ul style="list-style-type: none"><li>- Tax</li><li>- Subsidy</li><li>- Government regulations</li><li>- Any other reasonable policy</li></ul>	
	<b>/8 marks</b>