

Year 11 Unit 1 Exam 2021 Marking Guide

Section One: Multiple Choice

(18 Marks)

1	D	7	D	13	C
2	A	8	C	14	B
3	C	9	D	15	A
4	A	10	C	16	B
5	A	11	A	17	B
6	B	12	A	18	C

Section Two: Data Interpretation

(24 marks)

Question 19

Question	Description	Marks
a.	11.5% decrease	1 mark
b.	Identifies the two goods as substitutes and justifies this with reference to the article. Applies data – Decreased demand for public transport has led to increased price for second hand cars	1 – 3 marks
c.	Identifies and explains any two valid factors. 1 -2 marks per factor. Could include: <ul style="list-style-type: none">- Proportion of income spent.- Time	1 – 3 marks
d.	Identifies a decrease in supply and an increase in demand with reference to the diagram. Correctly drawn diagram showing both shifts. Discusses the impact of these shifts on price and quantity: <ul style="list-style-type: none">- Price will increase- Impact on quantity is uncertain	1 – 5 marks

Question 20

Question	Description	Marks
a.	Fuel Credit Scheme	1 mark
b.	The International Monetary Fund has included environmental and social price of the subsidy whereas the Australia Institute has only included private cost.	1 mark
c.	Government Expenditure on schools, hospitals or issues voters are worried about.	1 mark
d.	<p>Defines Subsidy and has a correctly drawn diagram showing subsidy.</p> <p>Discusses the impact of the subsidy (referencing the diagram) on price, quantity and surpluses:</p> <ul style="list-style-type: none"> - Decrease in price for consumers, increased benefit to producers of price plus subsidy - Results in an increase in both consumer surplus and producer surplus - Creates cost to government which is only partly offset by increased CS and PS - This results in deadweight loss which is due to the inefficient allocation of resources. 	<p>1 mark</p> <p>1 – 4 marks</p>
e.	<p>Identify that the externality associated with the fossil fuel industry is due to the carbon emissions</p> <p>Discusses two valid policy options. 1 – 2 marks per policy. Can include:</p> <ul style="list-style-type: none"> - Tax - Quantity restrictions - Carbon permits <p>Award for depth of answer</p>	1 – 4 marks

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

- a) Discuss two non-price factors affecting demand and two non-price factors affecting supply. Explain how changes in these factors will affect market equilibrium. (12 marks)

Description	Marks
Define demand and supply	1
Discussion of non-price factors, 1-2 marks per factor For demand, can include: <ul style="list-style-type: none">- Tastes and preferences- Level of disposable income- Price of related goods- Demographics- Expectations For supply, can include: <ul style="list-style-type: none">- Expectations- Technology- Price of related goods- Cost of production- Government policy	1-8
Relation to price mechanism Discuss clearing of shortage and clearing of surplus – identifying change in price and quantity. May include appropriate diagrams (Shift of demand and shift of supply)	1-4

- b) Using appropriate models, explain the impact of imposing indirect taxes on relatively inelastic products. (8 marks)

Description	Marks
Define tax	1
Briefly explain the concept of price inelasticity	1
Discussion of imposition of tax on price inelastic products Should include: <ul style="list-style-type: none">- Accurate and labelled diagram- Explanation of the impacts of the tax with reference to the diagram<ul style="list-style-type: none">o Discussion of tax incidenceo Impact on consumers and producerso Government revenueo Impact on price and quantityo Overall impact on market Discussion must be in the context of price inelastic goods in order to get full marks.	1-6

Comments:

Question 22**(20 marks)**

- a) Explain the concept of efficiency and with reference to a diagram, explain why efficiency is maximised in a highly competitive market. (8 marks)

Description	Marks
Define and explain efficiency <ul style="list-style-type: none">- Technical efficiency- Allocative efficiency- Dynamic efficiency	1-3
Define perfectly competitive market	1
Explanation: <ul style="list-style-type: none">- Diagram – Accurately drawn and labelled- Description<ul style="list-style-type: none">o Consumer surpluso Producer surpluso Total surpluso Maximising total surpluso Not maximised if not at equilibrium (non-competitive)	1-5

- b) With the use of examples, distinguish between public goods and common resources and explain why they are associated with market failure. Discuss policy options available to the government to deal with this market failure. (12 marks)

Description	Marks
Explain how public goods cause market failure: Define public goods and explain: <ul style="list-style-type: none">- Non-rival- Non-excludable- Prone to over-consumption- Free-rider effect	1-4
Explain how common resources cause market failure: Define common resources and explain: <ul style="list-style-type: none">- Rival- Non-excludable- Prone to over-consumption- Tragedy of the commons	1-4
Discussion of policy options, can include: <ul style="list-style-type: none">- Public goods<ul style="list-style-type: none">o Direct provision of the public resourceo Penalties for abuse of the resource- Common resources<ul style="list-style-type: none">o Enforcing property rights, e.g. creating fishing licenseso Regulating the resource and creating areas of non-accessibility	1-5

Comments: