**2020 Semester 1 Year 11 Unit 1 Economics Examination – Marking Guide**

**Section 1 – Multiple Choice Questions**

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

**Section 2 – Data Interpretation / Short Answer**

**Question 19**

1. **State the retail petrol margin as described in the excerpt. (1 mark)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| 24.6 cents | **1** |

1. **State and explain the price elasticity of demand of petrol. (3 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| **State PED:** Price Inelastic | **1** |
| **Explain reason:** Any valid reason, e.g.:* few alternatives (substitutes)
* necessity good
 | **1-2** |

1. **Explain the relationship between price elasticity of demand and total revenue. (3 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| **Relationship:** responsiveness of quantity demanded to a change in price determines a change in total revenue  | **1** |
| **Explanation:** * **Price inelastic:** Impact on revenue due to change in price

Eg. **An increase in price** will lead to ***a less than proportionate change*** in quantity demanded; **leads to an increase in total revenue*** **Price elastic:** Impact on revenue due to change in price

Eg. **An increase in price** will lead to ***a more than proportionate change*** in quantity demanded; **leads to a fall in total revenue** | **1****1** |

1. **Demonstrate and explain the impact of price-gouging in the petrol market on equity and efficiency.**

**(5 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| * **Diagram:** well labelled (1m) Reference to diagram (1m)
 | **1-2** |
| * **Impact (general):** Price rises and quantity falls
 | **1** |
| * **Equity:** Fall in equity due to increase in PS at the expense of CS.
 | **1** |
| * **Efficiency:** inefficient - creation of DWL **or** Fall in TW/ TS. Results in fall in quantity from free market equilibrium.
 | **1** |

**Question 20**

1. **State the amount of the grant that will be provided by the UK government for public transport in London.**

**(1 mark)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| 1 billion pounds  | **1** |

1. **Explain how the COVID-19 crisis has affected the market for public transport. (1 mark)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| **Lockdown: Fall in Demand OR Supply (Demand** –due to travel restrictions **OR Supply** –due to reduction in transport services)  | **1** |

1. **Demonstrate and explain how market failure arises within the public transport market. (4 Marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| **Source:** Explain Positive externalities **OR** Merit Good * third party effect not captured by free market; consumers do not take long term benefits into account.
 | **1** |
| **Explanation:*** Diagram: has to be accurate, labelled and referred to
* Explanation of diagram:
	+ Underconsumption; or output lower than socially optimal level
	+ DWL highlights inefficient allocation of resources
 | **1-3** |

1. **Using examples, explain how the government may intervene in a market that is experiencing market failure. (6 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Must have examples for each suggested measure for full marks.Solutions can include:* Taxes (e.g. in cigarette market)
* Subsidies (e.g. in education)
* Government regulation (e.g. in fishing market)
* Direct government provision (e.g. for public libraries)

Marks will be awarded based on level of depth, e.g.:* Stating the suggestion in relation to an example: Max 1 mark
* Suggestion and example briefly explained: Max 2 marks
* Suggestion, example and detailed explanation of why intervention is needed in the market: max 3 marks
 | **1-6** |

**Question 21**

1. **Define the law of demand and explain the factors affecting demand. (10 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| * **Definition** – Law of supply
* **Any 5 factors** (1 mark to identify factor; 1 mark for explanation)
* Level of disposable income
* Prices of related goods
* Tastes and preferences
* Demographics
* Expectations

**Need examples for full marks** | **1****1-9** |

1. **Explain and demonstrate the impact of a tax on cigarettes and luxury goods. (10 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| **Identify and explain PED of cigarettes: Ped <1** | **1** |
| **Diagram: Accurate,** well labelled and referred to | **1** |
| * **Explain Impact on:**
* Tax incidence: Greater burden on **CONSUMERS**
* Revenue
* Equity (change to CS and PS)
* Efficiency (creation of DWL)
 | **1-3** |
| **Identify and explain PED of luxury goods: Ped > 1** | **1** |
| **Diagram:** Accurate, well labelled and referred to | **1** |
| * **Explain Impact on:**
* Tax incidence: Greater burden on **PRODUCERS**
* Revenue
* Equity (change to CS and PS)
* Efficiency (creation of DWL)
 | **1-3** |

**Question 22**

1. **Define the law of supply and explain the factors affecting supply. (10 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| * **Definition** – Law of supply
* **Any 5 factors** (1 mark to identify factor; 1 mark for explanation)
* Cost of Production
* Technology
* Prices of other goods
* No. of sellers
* Expectations of sellers

**Need examples for full marks** | **1****1-9** |

1. **Explain and demonstrate the impact of taxes and subsidies on equity and efficiency. (10 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| **Diagram: Accurate,** well labelled **Tax diagram** and referred to  | **1** |
| * **Explain impact of taxes on:**
* Price and quantity
* Equity (Worsens - Change to CS and PS)
* Efficiency – Highlight DWL - (Worsens in working free markets; Improves in markets with failure)
 | **1****1-2****1-2** |
| **Diagram:** Accurate, well labelled **Subsidy diagram** and referred to  | **1** |
| * **Explain Impact of Subsidies:**
* Price and quantity
* Equity (Improves - Change to CS and PS)
* Efficiency – Highlight DWL - (Worsens in working free markets; Improves in markets with failure)
 | **1****1-2****1-2** |