

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

Question 20

(12 marks)

	Description	Marks
a.	<p>With reference to the extract, state the impact of fuel price surges on the use of e-scooter trips across Australia</p> <p>“15.5 per cent increase in e-scooter trips”</p>	1 mark
b.	<p>Describe the relationship between cars and petrol.</p> <p>Describe the relationship between cars and petrol</p> <ul style="list-style-type: none"> - Complementary goods - As price of petrol increases, demand for cars will decrease 	<p>1-2 marks</p> <p>1-2 marks</p>
c.	<p>With reference to the extract and the car market, explain the factor affecting i. demand and ii. Price elasticity of demand</p> <p>Explanation of factor affecting demand and price elasticity with link to the article. Could discuss:</p> <ul style="list-style-type: none"> - Decrease in demand due to higher petrol price - Decrease in price elasticity of demand due to availability of substitutes 	1-2 marks
d.	<p>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</p> <p>Accurately drawn diagram:</p> <ul style="list-style-type: none"> - Labelled- axes, DD and SS curves - Correct shift of supply curve - Impact on equilibrium price and quantity - Diagram referred to <p>Explanation:</p> <ul style="list-style-type: none"> - Increase in quantity - Decrease in price paid by consumers and increase in price received by producers - Increase in consumer and producer surplus - Reduction in efficiency (discuss deadweight loss) 	<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
Law of Demand	
Explains the law of demand referencing the income and substitution effects	2 marks
Defines the law of demand	1 mark
Factors affecting Demand (Four factors, up to two marks each)	
Explains a factor affecting demand	2 marks
Identifies a factor affecting demand	1 mark
Factors could include: <ul style="list-style-type: none"> - Price - Non-price factors <ul style="list-style-type: none"> o Level of disposable income o Price of related goods o Tastes and preferences o Expectations of consumers o Demographic factors 	
/10 marks	

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

Question 22

(20 marks)

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

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

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

Description	Marks
Definition	
Market Failure	1 mark
Policies (three policies required, up to three marks each)	
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"> - Tax - Subsidy - Government regulations - Any other reasonable policy 	
	/8 marks