

**Willetton Senior High School**

**Year 11 AEECO 2019**

**Assessment 1**

**Name: ANSWERS**

**Teacher: Your Mark: \_\_\_\_\_\_\_\_\_/20**

**TYPE:** Extended Answer

**OUTCOMES:** Outcome 1: Economic inquiry; Outcome 2: The operation of the economy

**WEIGHTING:** 8%

**CONTENT:** Demand, Supply and Equilibrium

**Time allowed:** 50 minutes

**Conditions**

This assessment is to be written in class without notes.

Article to be made available to students before school on the day before the assessment.

You should be aiming to write 2-3 pages in total.

1. Outline four factors affecting supply. Use examples to illustrate your response. (8 marks)
2. Explain how producers and consumers would react if the price of a product was set above the equilibrium price. (6 marks)
3. Use the article attached to demonstrate the impact of a shortage on the equilibrium price and quantity in the apple market. Your answer **must** include a diagram to illustrate the change. (6 marks)



**ANSWERS**

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| Define supply- Supply is the amount of a good or service that producers are willing and able to sell at a particular price and at a particular point in time.  For each of the four factors students must define/explain and then use an example. If factors are listed- only half marks  Factors affecting supply may include:   * Price: The price of a good or service and its quantity supplied are directly/positively related. For example, in a pizza market a producer will sell more when its price goes up. * Cost of production: With an increase in cost of production, producers will sell less in a market eg if the price of economic resources; land, labour, capital and enterprise increases, producers will decrease supply in that market. * Technology: An improvement in technology will decrease the cost of production and will result in an increase in supply eg the cost of electronic devices has fallen over time due to an improvement in technology. * Number of sellers: If new firms enter the market, then market supply will increase. * Expectations of producers: If producers expect a large demand for a certain product, they will make decisions to invest in production eg expected high oil prices will encourage increased exploration; thus increasing supply * Prices of related goods * Seasonal influences * The personal preferences of producers   Examples need to be specific to a market and demonstrate how the factor affects supply- expected high oil prices will encourage increased exploration; thus increasing supply | 1  3  4 |
| **Total** | **8** |

|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| Define price mechanism- the forces of demand and supply to return price and quantity to equilibrium.  If price was set above equilibrium, then a surplus would occur (supply>demand)  Producers would decrease price  This would reduce quantity supplied  And increase quantity demanded as consumers are paying a lower price  These adjustments would occur until there is a return to equilibrium price and quantity | 1  1  1  1  1  1 |
| **Total** | **6** |



|  |  |
| --- | --- |
| **Criteria** | **Marks** |
| Define shortage  Diagram showing a decrease in supply- a shift of the supply curve to the left (missing title, labelling of axis and curve will lose one mark)  Supply decreases due to an increase in the cost of production caused by the catastrophic event- bushfire  Refer to the specific points on the diagram  Decrease in supply means that equilibrium quantity decreases and equilibrium price increases | 1  2  1  1  1 |
| **Total** | **6** |