Economics

General course

Marking key for the Externally set task

Sample 2016

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# Economics

## Externally set task – marking key

1. Identify the factor affecting the mango market and describe why this has caused mango prices to increase rapidly (soar).

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Correctly identifies the factor affecting the mango market. | 1 |
| Describes the reason why the price of mangoes has risen. | 1 |
| **Total** | **2** |
| Specific content: | |
| * the factor affecting the mango market is adverse weather conditions * the price of mangoes has risen due to a shortage of mangoes/supply as fewer mangoes have grown due to the weather conditions. | |

1. Demonstrate, on the diagram below, and explain the change in market equilibrium that has occurred in the mango market.

|  |  |
| --- | --- |
| **Description** | **Marks** |
| On the diagram, correctly:   * draws an original demand and supply curve on the diagram provided * labels the demand and supply curves * demonstrates the change in supply of mangoes * identifies the new equilibrium price and quantity. | 1–4  (1 mark each) |
| Explains the change in market equilibrium in the mango market using appropriate terminology and the application of the demand and supply model. | 1–2 |
| **Total** | **6** |
| Specific content: | |
| Diagram   * the supply curve moves to the left (a decrease in supply) * the new equilibrium is at price $60 and quantity 1000.   Changes in market equilibrium as a result of the decrease in supply   * there is a shortage at the original price of $20 which causes the price to rise * demand contracts (some households drop out of the market) as a result. | |

1. Identify **three (3)** non-price factors and explain how each of these would influence demand in the mango market.

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Correctly identifies **three (3)** non-price factors which would influence demand in the mango market. | 1–3  (1 mark each) |
| Explains, for one mark each, how each factor influences demand, using appropriate terminology and application to the context of the mango market. | 1–3  (1 mark each) |
| **Total** | **6** |
| Specific content: | |
| Factors affecting demand in the mango market include:   * income * tastes and preferences * prices of substitutes and complements * expected future prices.   This is not an exhaustive list. Accept any additional factors that would influence demand. | |

1. Using evidence from the article, comment on the price elasticity of demand for mangoes.

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Correctly defines or demonstrates, through the use of a diagram, the meaning of the concept of price elasticity of demand. | 1 |
| Correctly identifies whether the demand for mangoes is price elastic/price inelastic, and justifies this with reference to the relationship between price and quantity demanded. | 1 |
| Identifies the causes for price elasticity by correctly applying the factors affecting price elasticity of demand to the context of the mango market. | 1–3 |
| Uses evidence from the article to justify a conclusion about the price elasticity of demand for mangoes.  A calculation could be used but is not essential. | 1 |
| **Total** | **6** |
| Specific content: | |
| Definition   * price elasticity of demand can be defined as the responsiveness of quantity demanded to a change in price, or demonstrated on demand curves showing a change in price may cause a proportionately smaller or larger change in quantity demanded, depending on the slope of the curve.   Price elasticity of demand for mangoes   * is price elastic indicating that quantity demanded is very responsive to a change in price.   Factors that could affect price elasticity of demand in the mango market include:   * necessity – mango as a fruit would not be considered a necessity due to the availability of substitute fruits * availability of substitutes – mango as a fruit has many substitutes * percentage of income – the high price of mangoes as a fruit means it occupies a greater percentage of income.   Evidence in the article that price elasticity of demand for mangoes is price elastic   * total revenue falls as price rises i.e. as price rises from $20 to $60, total revenue has fallen from $100 000 to $60 000. | |