



## SAMPLE ASSESSMENT TASKS

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ECONOMICS  
ATAR YEAR 11

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## Sample assessment task

### Economics – ATAR Year 11

#### Task 1 – Unit 1 – Introduction to economics and Markets: Demand and supply

**Assessment type:** Data interpretation/Short answer

**Conditions**

Total marks: 43 marks

Time for the task: 50 minutes

In class under test conditions

**Task weighting**

5% of the school mark for this pair of units

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**Section One: Multiple-choice**

**(10 marks)**

1. The economic problem is a problem of
  - (a) limited resources and limited wants.
  - (b) limited resources and unlimited wants.
  - (c) unlimited resources and limited wants.
  - (d) unlimited resources and limited wants.
  
2. Economists use economic models because they provide
  - (a) simplified conclusions on which theories can be formulated.
  - (b) assumptions on which theories can be formulated.
  - (c) a simplified version of reality which makes it easier to study economic fundamentals.
  - (d) theories on which assumptions can be formulated.
  
3. The costs of going to a football game include
  - (a) the money spent on the ticket.
  - (b) the time spent catching the train to the game.
  - (c) the time spent watching the game.
  - (d) all of the above.
  
4. Which of the following statements about resource use **is not** one of the key economic questions?
  - (a) For what are resources used?
  - (b) For whom the resources are being used?
  - (c) Where are the resources used?
  - (d) How are the resources used?

5. Which of the following statements is true?
  - (a) Governments have no influence over prices in a market.
  - (b) Macroeconomics is concerned with the study of individual markets.
  - (c) Microeconomics is the study of the economy as a whole.
  - (d) Microeconomics involves the study of why the price in a market changes over time.
  
6. A demand curve is constructed on the assumption that
  - (a) demand is not affected by the price of the good.
  - (b) factors influencing demand are not affected by the price of a good.
  - (c) consumers buy the goods that they want to buy.
  - (d) when the price is higher people tend to buy more of a good.
  
7. A change in an individual's income, preferences, or prices of substitute goods or services leads to a \_\_\_\_\_ that causes a \_\_\_\_\_
  - (a) change in demand; movement along the demand curve.
  - (b) change in quantity demanded; movement along the demand curve.
  - (c) change in demand; shift of the demand curve.
  - (d) change in quantity demanded; shift of the demand curve.
  
8. According to the law of supply, there is a
  - (a) negative relationship between price and the quantity of a good supplied.
  - (b) positive relationship between price and the quantity of a good supplied.
  - (c) negative relationship between price and the change in supply.
  - (d) positive relationship between price and the change in supply.
  
9. For a given supply curve, a change in the price of a good leads to a change in \_\_\_\_\_, which leads to a \_\_\_\_\_
  - (a) quantity supplied; movement along the supply curve.
  - (b) quantity supplied; shift of the supply curve.
  - (c) supply; movement along a supply curve.
  - (d) supply; shift of the supply curve.
  
10. Suppose a market is in equilibrium, and then the demand increases. Which of the following would be shown on a graph that illustrated the effects?
  - (a) an excess demand at the initial equilibrium price
  - (b) (an excess demand at the new equilibrium price
  - (c) an excess supply at the initial equilibrium price
  - (d) an excess supply at the new equilibrium price

**Section Two: Data interpretation/Short answer**

**(33 marks)**

**Question 11**

**(13 marks)**

Economic theory is based on the assumption that people make rational economic decisions. Individuals aim to maximise their own economic self-interest by assessing the economic costs and benefits when considering alternative choices.

(a) Explain the purpose and importance of economic models when conducting economic analysis.

(3 marks)

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Governments must also decide how to make best use of scarce resources to maximise welfare for the community. The government is considering a better way of promoting the use of renewable energy in homes and for businesses. One policy idea is that:

‘The government should provide free installation of renewable energy sources for households to supply power to their homes.’

(b) Using a suitable economic model, evaluate this policy idea using the economic concepts of opportunity cost and scarcity.

(4 marks)

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The following tables illustrate the costs and benefits of providing new homes with government subsidised solar panel installation.

**Table 1: Net benefits of subsidised solar panel installation**

Number of homes	Total benefits (\$m)	Total costs (\$m)
0	0	0
2000	1000	600
4000	1800	1200
6000	2500	1800
8000	3000	2400
10000	3400	3000

**Table 2: Marginal benefits and costs of subsidised solar panel installation**

Number of homes	Marginal benefits (\$m)	Marginal costs (\$m)
0	0	0
2000	1000	600
4000	800	600
6000		
8000		
10000		

- (c) Identify the marginal benefits and marginal costs for the remaining number of homes by completing Table 2. (2 marks)
- (d) Use marginal benefit analysis to evaluate whether this policy idea is worth implementing. (4 marks)

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**Question 12****(20 marks)**

Ben is a small business owner who owns and runs a burger shop. He previously sold his burgers in store and has recently started taking orders online as well. As he has recently implemented a new ordering process, he decided to survey his customers to see how many burgers would be demanded at certain prices.

The demand for Ben's burgers is shown in the table below.

**DEMAND FOR BEN'S BURGERS**

Price (\$)	Quantity
20	50
17	100
14	150
12	200
10	250

- (a) Identify whether a positive or negative relationship exists between the price of the burger and quantity demanded. (1 mark)

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- (b) Explain **two (2)** reasons for this relationship between the price and quantity demand for Ben's burgers. (4 marks)

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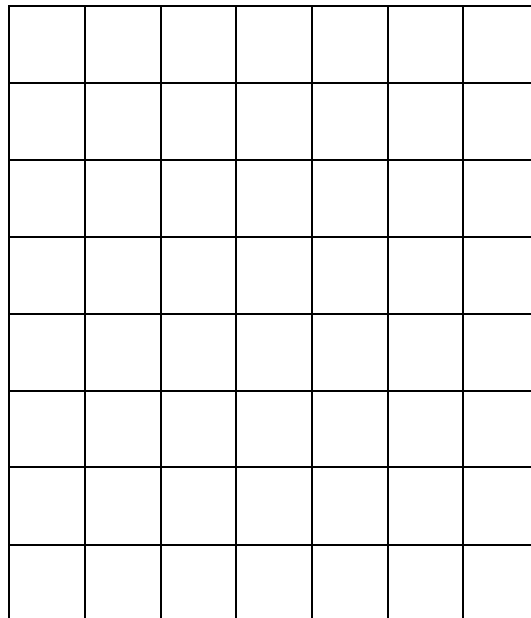
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Rising production costs have forced Ben to raise the price of his burgers by two dollars each for both online and in-store orders. With the increasing costs, Ben has decided to supply his burgers to his customers according to the following schedule.

**MARKET FOR BEN'S BURGERS**

Price (\$)	Quantity Demanded	Quantity Supplied
20	50	250
17	100	200
14	150	150
12	200	100
10	250	50

- (c) Graph the demand and supply curve for Ben's burgers on the grid below. Label each curve and the two axes and determine the equilibrium price and quantity. (4 marks)



The equilibrium price is \_\_\_\_\_. The equilibrium quantity is \_\_\_\_\_.

Suppose Ben has been selling his burgers for \$17 each.

- (d) Identify whether there would be shortage or surplus of burgers and explain what would happen to the price of Ben's burgers as a result of these market conditions. (3 marks)

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(e) A new study has found that eating burgers can help increase iron levels in blood, improving energy levels for consumers.

(i) Identify the effect the above information would have on the price and quantity of burgers sold. (2 marks)

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(ii) Outline why this change in the market would be favourable to producers but inequitable to some of Ben's customers. (2 marks)

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(f) Describe how prices are determined in **both** a competitive and non-competitive market. (4 marks)

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## Marking key for sample assessment task 1 – Unit 1

### Section One: Multiple-choice

(10 marks)

Answer	Marks
1. B	1
2. C	1
3. D	1
4. C	1
5. D	1
6. B	1
7. C	1
8. B	1
9. A	1
10. B	1
<b>Total</b>	<b>10</b>

### Section Two: Data interpretation/Short answer

(33 marks)

#### Question 11

(a) Explain the purpose and importance of economic models when conducting economic analysis.

(3 marks)

Description	Marks
Explains the purpose and importance of economic models in economic analysis	3
Describes the purpose and importance of economic models	2
Identifies the purpose of economic models	1
<b>Total</b>	<b>3</b>
<b>Answers may include</b>	
<p>An economic model is a simplified version of reality.            An economic model is a more applied or empirical representation of reality.            The purpose of a model is to take a complex, real-world situation and make it simpler.</p> <p>The importance of economic models include that:</p> <ul style="list-style-type: none"> <li>• they allow economists to make predictions about the economic behaviour of consumers and businesses</li> <li>• the simplified version can be used to provide an understanding of the situation and any related problems</li> <li>• models can be used to test theories.</li> </ul>	

- (b) Using a suitable economic model, evaluate this policy idea using the economic concepts of opportunity cost and scarcity. (4 marks)

Description	Marks
<b>Model – Production Possibility Frontier</b>	
Appropriate axes labels and scale – Solar Panels and funding hospitals (example)	1
Appropriate use of a production possibility schedule that is graphed correctly and demonstrates the concept of opportunity cost	1
<b>Subtotal</b>	<b>2</b>
<b>Evaluation</b>	
Explains the dilemma that governments encounter when deciding how to make best use of scarce resources to maximise welfare for the community.	2
Identifies the concepts of scarcity and opportunity cost	1
<b>Subtotal</b>	<b>2</b>
<b>Total</b>	<b>4</b>

**Answers may include**

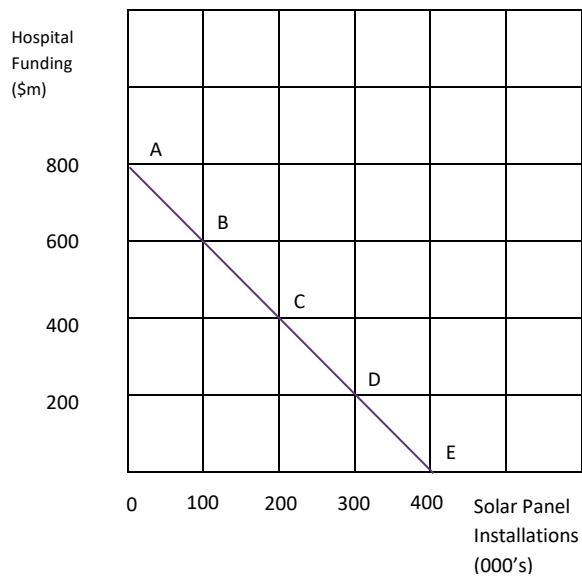
An economic model is a simplified version of reality.

The Production Possibilities Curve (PPC) is a model used to show the trade-offs associated with allocating resources between the production of two goods (solar panels and funding hospitals). The PPC shows the possible combinations of producing two goods in an economy with finite resources. The more resources allocated to promoting renewable energy via solar panels will result in less resources allocated to funding the health care system.

Example of a production possibility schedule:

	Number of homes with solar panels (000's)	Hospital funding (\$m)
A	0	800
B	100	600
C	200	400
D	300	200
E	400	0

PPC for Government Spending



- (c) Identify the marginal benefits and marginal costs for the remaining number of homes by completing Table 2. (2 marks)

Description		Marks
Correctly identifies all three marginal benefit values in the table		1
Correctly identifies all three marginal cost values in the table		1
<b>Total</b>		<b>2</b>
Answer		
<b>Table 2: Marginal benefits and costs of subsidised solar panel installation</b>		
Number of homes	Marginal benefits (\$m)	Marginal costs (\$m)
0	0	0
2000	1000	600
4000	800	600
6000	700	600
8000	500	600
10000	400	600

- (d) Use marginal benefit analysis to evaluate whether this policy idea is worth implementing. (4 marks)

Description	Marks
Evaluates the policy idea using marginal benefit analysis and references the economic data provided.	4
Describes how marginal benefit analysis uses opportunity cost to inform decision making	3
Defines both marginal benefit and marginal cost	2
Defines the concept of marginal benefit or marginal cost	1
<b>Total</b>	<b>4</b>
Answers may include	
<ul style="list-style-type: none"> <li>• Marginal benefit is the difference you receive when you make a different choice.</li> <li>• Marginal cost is the additional cost that you incur when you produce additional units of a product.</li> <li>• To understand the cost and benefit of implementing a policy, the government must take into account the opportunity cost of making one decision over another.</li> <li>• The opportunity cost is the benefit that the government misses when they select one option over another.</li> <li>• For example, when the government decides the optimal amount of homes they should fund with solar panel installation, they need to identify whether that funding a certain amount of homes will provide a net marginal benefit. Otherwise the government would best to use the funding for improving the health care system.</li> <li>• According to Table 2, the optimal amount of homes to subsidise solar panel installation is 6000, as the marginal benefit at this allocation outweighs the marginal cost.</li> </ul>	

## Question 12

- (a) Identify whether a positive or negative relationship exists between the price of the burger and quantity demanded. (1 mark)

Description	Marks
Correctly identifies a negative relationship between price and quantity demanded	1
<b>Total</b>	<b>1</b>

- (b) Explain **two (2)** reasons for this relationship between the price and quantity demand for Ben's burgers. (4 marks)

Description	Marks
For each reason (x2):	
Explains a reason why the demand curve has a negative slope	2
Outlines a reason why the demand curve has a negative slope	1
<b>Total</b>	<b>4</b>
<b>Answer</b>	
<ul style="list-style-type: none"> <li>the income effect – when the price of a good rises, consumers are not willing to purchase as much because their real income or purchasing power has decreased</li> <li>the substitution effect – when the price of one good rises, other goods become more attractive to consumers because they are relatively cheaper, so consumers will change to the substitute good</li> </ul>	

- (c) Graph the demand and supply curve for Ben's burgers on the grid below. Label each curve and the two axes and determine the equilibrium price and quantity. (4 marks)

Description	Marks
<b>Graphs</b>	
Appropriate axes labels – price (vertical axis), quantity (horizontal)	1
Demand and supply schedules graphed correctly	1
<b>Subtotal</b>	<b>2</b>
<b>Interpretation of the graph</b>	
Equilibrium price is \$14	1
Equilibrium quantity is \$150	1
<b>Subtotal</b>	<b>2</b>
<b>Total</b>	<b>4</b>

- (d) Identify whether there would be shortage or surplus of burgers and explain what would happen to the price of Ben's burgers as a result of these market conditions. (3 marks)

Description	Marks
Identifies that there would be a surplus of burgers	1
<b>Price of Ben's Burgers</b>	
Explains that the price of Ben's burgers would be reduced back to \$14 as supply exceeds demands. A drop in price is required to sell the excess stock.	2
Outlines that the price of Ben's burgers will fall due to lower levels of demand.	1
<b>Total</b>	<b>3</b>
<b>Answer</b>	
<p>Explains that the price of Ben's burgers would be reduced from \$17 to \$14. A surplus indicates that supply exceeds demands.</p>	

A reduction in price is required to sell the excess stock. Supply of burgers will contract and demand for burgers will expand at the lower price (\$14).

- (e) A new study has found that eating burgers can help increase iron levels in blood, improving energy levels for consumers.
- (i) Identify the effect the above information would have on the price and quantity of burgers sold. (2 marks)

Description	Marks
Identifies the effect the information would have on the price and quantity of burgers sold in the market	2
States a fact about price or quantity	1
<b>Total</b>	<b>2</b>
Answer	
<p>The demand for burgers rises causing an increase in the number of burgers sold at a higher price. The price of burgers increases and/or the quantity of burgers sold increases.</p>	

- (ii) Outline why this change in the market would be favourable to producers but inequitable to some of Ben's customers. (2 marks)

Description	Marks
States the change is favourable to Ben's Burgers because their revenue (profit) increases (they sell more burgers at a higher price)	2
States the change is inequitable (unfair) to some consumers because burgers are more expensive – some burger lovers will be priced out of the market	1
<b>Total</b>	<b>2</b>
<b>Answer</b>	
The demand for burgers rises causing an increase in the number of burgers sold at a higher price. The price of burgers increases and/or the quantity of burgers sold increases.	

- (f) Describe how prices are determined in **both** a competitive and non-competitive market. (4 marks)

Description	Marks
Describes how prices are determined in a competitive compared to a non-competitive market	4
Identifies the difference between prices in a competitive or non-competitive market	3
Identifies two roles price plays in the market	2
Lists the roles prices play in the market	1
<b>Total</b>	<b>4</b>
<b>Answers may include</b>	
Price mechanism (the role of price) <ul style="list-style-type: none"> <li>• interaction between buyers and sellers in the market</li> <li>• three key economic questions of what, how many, and for whom, are answered by the price mechanism</li> <li>• in a competitive market, the interaction of demand and supply determines price</li> <li>• in a non-competitive market, sellers can influence the price (price setters)</li> </ul>	

## Sample assessment task

### Economics – ATAR Year 11

#### Task 2 – Unit 1 – Market conditions – Case study/Scenario

**Assessment type:** Extended answer

#### Conditions

Time for the task: 50 minutes

In class under test conditions

#### Task weighting

10% of the school mark for this pair of units

Read the following edited extract from the article and then answer the accompanying questions.

#### Fill up now as petrol pain set to return

*Josh Zimmerman | May 16, 2022*

Petrol in Perth remains on track to break the \$2 per litre barrier for the second time in the space of two months when the fortnightly cycle hits a new high on Wednesday. Motor Trade Association chief executive Stephen Moir tipped unleaded was likely to soar even further beyond that amid fresh uncertainty in global energy markets.

On Friday, wholesale petrol was selling for 178.9¢ per litre, the most expensive level it has reached since the end of March.

‘In March (after Russia invaded Ukraine) we had two consecutive weeks where the wholesale price jumped by 10¢ per litre. What is really going to frighten them is come September when the temporary halving of the fuel excise ends, petrol will be up around \$2.30 per litre.’

Slashing fuel excise in half was a key plank of the Morrison Government’s March Budget, which immediately saved motorists 22.1cpl on the price of petrol and diesel. However, the cut is only in place for six months and is due to expire in September — at which point the price of fuel will jump by 22.1cpl almost overnight. Before the excise cut, the average price of petrol in Perth reached a record high in excess of \$2.12.

With the conflict in Ukraine showing no sign of reaching a resolution before September, Mr Moir said there was every chance global oil prices would remain elevated well into the future.



[Excerpt from: Zimmerman, J. (2022). Fill up now as petrol pain set to return. Retrieved May, 2022, from <https://edition.thewest.com.au/html5/shared/ShowArticle.aspx?doc=WAN%2F2022%2F05%2F16&entity=Ar01405&sk=E4B3F3BB&mode=text>



**Question 1****(15 marks)**

'Fuel prices will rise by 22.1 cents per litre when the government's fuel excise tax cut expires in September. Despite this, Perth motorists will continue to drive their cars and buy fuel at these higher prices.'

Using demand and supply analysis, demonstrate and explain the significance of price elasticity for consumers, businesses and the government.

In your answer include:

- (a) the determinants of price elasticity of demand (3 marks)
- (b) the link between price elasticity of demand and total revenue (4 marks)
- (c) the importance of price elasticity of demand and supply for government, including the incidence of a tax. (8 marks)

Make reference to the article where appropriate.

## Marking key for sample assessment task 2 – Unit 1

### Question 1

(a) the determinants of price elasticity of demand

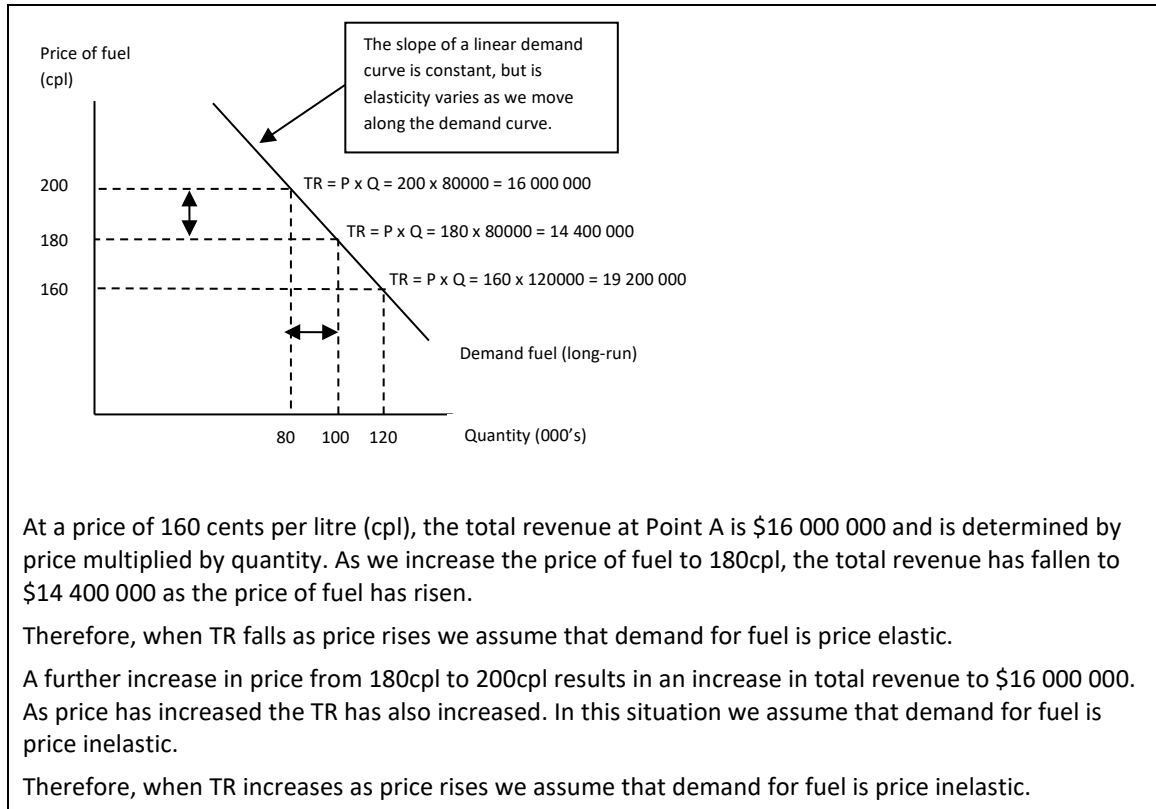
(3 marks)

Description	Marks
<b>Determinants</b>	
Explains the determinants of price elasticity of demand, including a definition of price elasticity of demand	3
Describes the determinants of price elasticity of demand, including a definition of price elasticity of demand	2
States the determinants of price elasticity of demand, including a definition of price elasticity of demand	1
<b>Total</b>	<b>3</b>
<b>Answers may include</b>	
<p>Price elasticity of demand can be defined as ‘the responsiveness of quantity demanded to a small change in price.’</p> <p>Determinants of price elasticity of demand are:</p> <ul style="list-style-type: none"> <li>• availability of substitute goods</li> <li>• nature of the commodity (e.g. perishable)</li> <li>• proportion of income spent (cost of the good)</li> <li>• the number of uses for the good or service</li> <li>• time period</li> <li>• the price range.</li> </ul>	

(b) the link between price elasticity of demand and total revenue

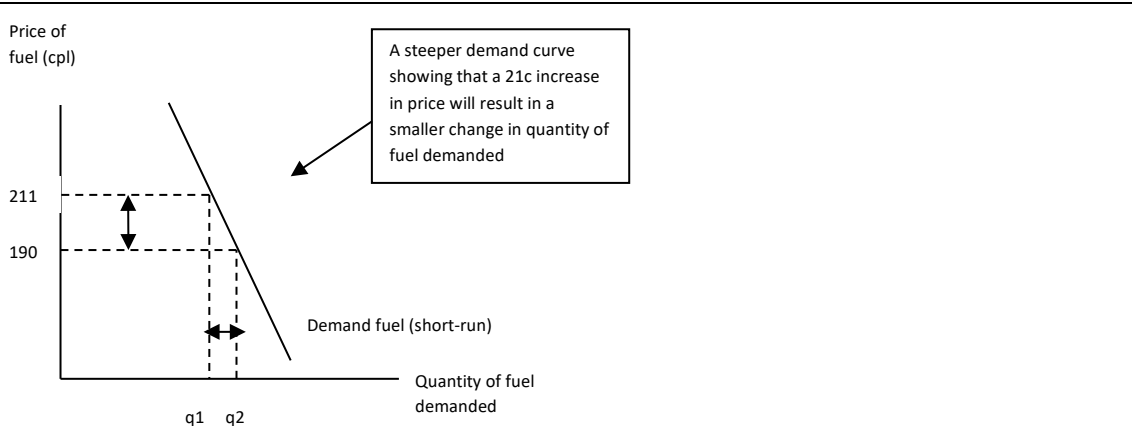
(4 marks)

Description	Marks
<b>Link between price elasticity of demand and total revenue</b>	
Describes the link between price elasticity of demand and total revenue and identifies how total revenue is calculated ( $TR = \text{Price} \times \text{Quantity}$ )	2
Identifies a link between price elasticity of demand and total revenue	1
<b>Use of models</b>	
Demonstrates the use of economic models, including demand and supply graphs to analyse market responsiveness to price changes	1–2
<b>Total</b>	<b>4</b>
<b>Answers may include</b>	
<p>Price elasticity of demand can be defined as ‘the responsiveness of quantity demanded to a small change in price.’</p> <p>Total revenue can be determined by multiplying the price and quantity demanded. Total Revenue (TR) = <math>P \times Q</math>.</p> <p>A price increase can have two effects on revenue: a higher revenue due to the higher price charged for the good; a lower revenue as fewer units are sold at the higher price.</p> <p>The slope of a linear demand curve is constant but its elasticity is not.</p>	

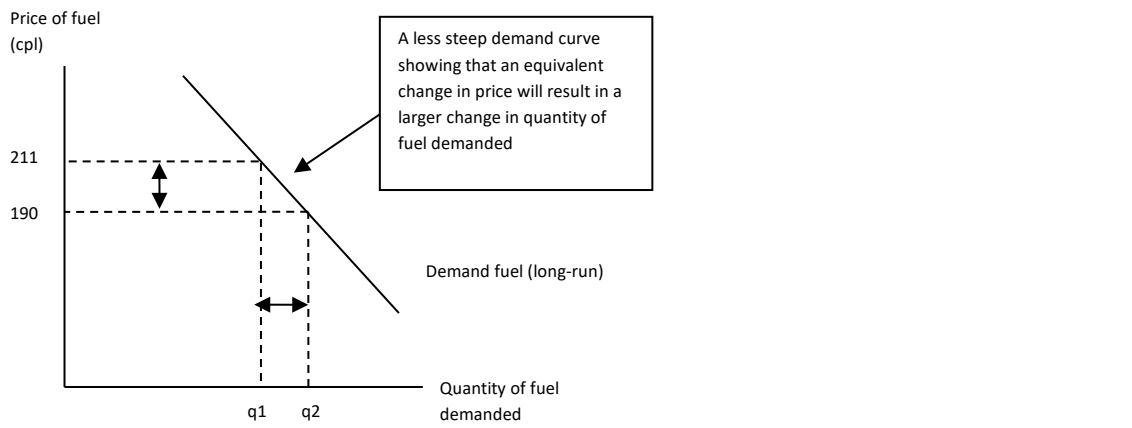


- (c) the importance of price elasticity of demand for government, including the incidence of a tax (8 marks)

Description	Marks
<b>Explanation</b>	
Explains the importance of price elasticity of demand on tax revenue and how both the nature of the good and time period influences relative price elasticity	5–6
Describes the importance of price elasticity of demand on tax revenue and how either the nature of the good and time period influences relative price elasticity	3–4
Identifies reasons as to why governments tax inelastic goods	1–2
<b>Use of economic model</b>	
Demonstrates the use economic models, including demand and supply graphs, to analyse market responsiveness to price changes	1–2
<b>Total</b>	<b>8</b>
<b>Answers may include</b>	
<p>The price elasticity of demand for fuel can vary over time. For example, if the fuel excise was removed and the price of fuel rose by 21 cents per litre (cpl) overnight without warning, there is little consumers could do to change their driving habits. In the short run, individuals may choose to use public transport or carpool to their place of work or study. However, it is most likely they will not change their consumption behaviour and Perth motorists will continue to drive their cars and buy fuel at these higher prices.</p> <p>Alternatively, in the long run, individuals may alter their buying behaviours or living circumstances by purchasing a smaller car or move closer to their place of employment.</p> <p>The demand curve for fuel in the short run would look like the following:</p>	

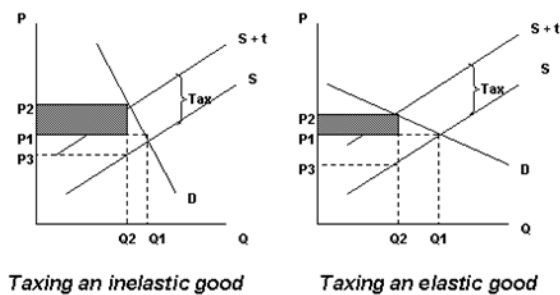


The demand curve for fuel in the long run would look like the following:



Fuel is considered to be a necessity and a relatively inelastic good. Over time this may change with the further development of both hybrid and electric cars. Governments often tax these kinds of goods as they tend to raise consistent revenues.

If demand is inelastic, a higher tax will cause only a small fall in demand. Most of the tax will be passed on to consumers. When demand is inelastic, governments will see a significant increase in their tax revenue. Consider the following two diagrams.



The price of the good when it is taxed is P2. When taxing an inelastic good, the consumer bears most of the cost of the tax (shown by the shaded region between P1 and P2) because the quantity demanded falls only slightly. The government will collect a greater revenue on these types of goods. This is not the case with elastic goods where the producer bears the burden of the tax (unshaded region between P1 and P3). This results in a fall in supply for the good.

## Sample assessment task

### Economics – ATAR Year 11

#### Task 3 – Unit 1 – Market failure – Investigation

**Assessment type:** Investigation

#### Conditions

Part A: Research: Two (2) weeks outside of class time including 10 hours of the time allocation for Unit 1. Prior to commencing the in-class validation, students must submit all other evidence of the research they have conducted, including a bibliography.

Part B: Essay: To be written in 50 minutes in class under invigilated conditions. Students are permitted access to their collected economic information and data from Part A during the writing of the persuasive essay validation task.

#### Task weighting

10% of the school mark for this pair of units

#### Mark Allocation

Part A: Research: 12 marks

Part B: Extended answer: 15 marks

**Total Marks: 27 Marks**

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#### Task Objectives

This assessment task determines student achievement using the following economic skills. Students:

- select and use appropriate **terminology**
- apply **mathematical techniques** relevant to markets including calculating:
  - consumer surplus, producer surplus, deadweight loss
- use **economic models** to analyse and convey economic theory related to markets, including:
  - demand and supply graphs to analyse market behaviour and performance
- use economic information and data to:
  - identify trends and relationships in markets
  - analyse microeconomic issues and events
  - predict market behaviour
  - justify a conclusion
- use a clear structure when communicating economic understandings, including:
  - using a relevant and accurate diagram/model
  - making reference to a diagram/model/data to support a written response
  - applying problem-solving, critical thinking and decision-making strategies to predict a market outcome
  - recommending a range of action/policies to achieve market efficiency.

**Task Description**

The assessment requires students to research the market for healthcare. The task includes:

- Part A – Research
- Part B – In-class validation: Extended answer

Read the following case study and answer the question that follows.

**Part A – Research****(12 marks)****Case study – the market for healthcare**

Like other markets, the healthcare market has consumers (patients) and producers (doctors, nurses etc.), but various features of this market complicate the analysis of their interactions.

As part of their research, students are to collect and select data and economic information on the market for healthcare and respond to the following questions.

1. Identify the characteristics of an imperfectly competitive market and discuss how they apply to the market for health care. (4 marks)
2. Explain the existence of externalities in the market for health care. (4 marks)
3. Discuss the reasons why health care is considered a merit good. (4 marks)

**Part B – In-class validation: Extended answer****(15 marks)**

‘The provision of health care should be left to the forces of demand and supply in the market.’

Discuss this statement with reference to the:

- types of market failures that exist in the market for healthcare
- policy options available to reduce market failure for healthcare
- use of economic terminology, models, information and data to support your recommendations. (15 marks)

## Marking key for sample assessment task 3 – Unit 1

### Part A – Research

(12 marks)

1. Identify the characteristics of an imperfectly competitive market and discuss how they apply to the market for health care. (4 marks)

Description	Marks
Discusses the characteristics of an imperfectly competitive market and applies it to the case study.	4
Explains the characteristics of an imperfectly competitive market and applies it to the case study.	3
Describes the characteristics of an imperfectly competitive market.	2
Identifies the characteristics of an imperfectly competitive market.	1
<b>Total</b>	<b>4</b>
<b>Answers may include</b>	
<p><b>Characteristics of an imperfectly competitive market</b> Imperfect markets are characterised by</p> <ul style="list-style-type: none"> <li>• having competition for market share</li> <li>• high barriers to entry and exit</li> <li>• different products and services</li> <li>• a small number of buyers and sellers.</li> </ul> <p><b>Application to the health care market</b></p> <ul style="list-style-type: none"> <li>• third parties – insurers, governments, and unwitting bystanders – have an interest in healthcare outcomes</li> <li>• patients often do not know what they need and cannot evaluate the treatment they are getting</li> <li>• healthcare providers are often paid by private or government health insurance, not by the patients</li> <li>• the rules established by these insurers, more than market prices, determine the allocation of resources</li> <li>• the invisible hand cannot work its magic, and so the allocation of resources in the healthcare market can end up highly inefficient</li> </ul>	

2. Explain the existence of externalities in the market for health care. (4 marks)

Description	Marks
Explains the positive externalities that exist in the health care market.	4
Describes the positive externalities that exist in the health care market.	3
Identifies that health care provides social benefits beyond an individual's healthcare treatment.	2
Defines the concept of an externality.	1
<b>Total</b>	<b>4</b>
<b>Answers may include:</b>	
<ul style="list-style-type: none"> <li>• an externality arises when a person engages in an activity that influences the well-being of a bystander who neither pays nor receives compensation for that effect. If the impact on the bystander is adverse, it is called a negative externality. If it is beneficial, it is called a positive externality</li> <li>• the prevalence of externalities is one of the key features that differentiates the healthcare market from the concept of the ideal market</li> <li>• because buyers and sellers neglect the external effects of their actions when deciding how much to demand or supply, externalities can render the unregulated market outcome inefficient. This</li> </ul>	

general conclusion is crucial for understanding healthcare, because externalities in the market are so prevalent.

- the existence of externalities requires governmental intervention to remedy the market failure, for example, consider the positive externality associated with vaccinations – that is, vaccinations reduce the likelihood of becoming a carrier, which makes it less likely that other people will become ill. In the case of immunisation, fewer people will choose to get vaccinated if they ignore the added value created by positive externalities when performing a cost-benefit analysis. The government may remedy this problem by subsidising the development, manufacture, and distribution of vaccines or by requiring vaccinations.

3. Discuss the reasons why health care is considered a merit good. (4 marks)

Description	Marks
Discusses the reasons why healthcare is classified as a merit good	4
Explains the reasons why healthcare is classified as a merit good	3
Describes a reason why healthcare is a merit good	2
Defines the concept of a merit good	1
<b>Total</b>	<b>4</b>

**Answers may include:**

- healthcare is classified as a merit good because consuming it provides benefits to others as well as to the individual consumer
- for example, while inoculation against a contagious disease generates a private benefit to those inoculated as well as others. However, few would choose inoculation only to protect others. Therefore, the demand for healthcare will be less than the socially efficient quantity
- given that healthcare is a merit good, it is largely provided free at the point of consumption. This means that the price mechanism cannot work to ration scarce resources, as it would for private goods
- the demand for healthcare is at its greatest when it is free to patients, and this means that there is an excess of demand over supply, with waiting lists for treatment and shortages of beds. In this case, waiting lists ration healthcare treatment, rather than charges
- in the short run the supply of healthcare is fixed, and the supply curve is perfectly inelastic
- having no price means that there will be a shortage, given that demand will expand to its maximum. This will mean that health resources must be rationed through some other system, such as waiting lists.



**Part B – In-class validation: Extended answer****(15 marks)**

‘The provision of health care should be left to the forces of demand and supply in the market.’

Discuss this statement with reference to the:

- types of market failures that exist in the market for healthcare
- policy options available to reduce market failure for healthcare
- use of economic terminology, models, information and data to support your recommendations.

Description	Marks
<ul style="list-style-type: none"> <li>• Evaluates and synthesises economic ideas and perspectives to support the conclusion or recommended policy option.</li> <li>• Draws a relevant conclusion to recommend a policy/action to address the market failure.</li> <li>• Applies problem-solving, critical thinking and decision-making strategies to predict a market outcome to provide a recommendation with a detailed justification.</li> <li>• Uses concise expression and development of relevant ideas that enhance economic meaning and makes effective use of graphs, models and/or economic information and data.</li> <li>• Consistently includes features of a persuasive essay and uses economic terminology.</li> </ul>	13–15
<ul style="list-style-type: none"> <li>• Evaluates economic ideas and perspectives to support the conclusion or recommended policy option.</li> <li>• Draws on effective conclusion or decision about recommended policy option to address the market failure.</li> <li>• Provides a recommendation with a justification using some economic reasoning.</li> <li>• Expresses and develops relevant ideas using graphs, models and/or statistics.</li> <li>• Includes features of a persuasive essay and uses economic terminology.</li> </ul>	10–12
<ul style="list-style-type: none"> <li>• Uses sound evaluation and synthesis of economic ideas and/or perspectives to support the conclusion or recommended policy option.</li> <li>• Draws adequate conclusion or decision about recommended policy option to address the market failure, based on the use of relevant economic criteria.</li> <li>• Provides a recommendation with logical justification and feasible economic reasoning.</li> <li>• Includes features of an essay and uses some economic terminology.</li> </ul>	7–9
<ul style="list-style-type: none"> <li>• Uses adequate expression to develop a policy option that conveys economic meaning.</li> <li>• Includes some graphs, diagrams and/or statistics.</li> <li>• Includes features of essay writing.</li> </ul>	4–6
<ul style="list-style-type: none"> <li>• Includes opinions and statements about either economic ideas or perspectives.</li> <li>• Makes a superficial conclusion or decision about a market failure.</li> <li>• Identifies some reason/s for the conclusion or decision.</li> <li>• Demonstrates limited elements of essay writing.</li> </ul>	1–3
<b>Total</b>	<b>15</b>
<b>Answers may include</b>	
<p>Health care is rival and excludable, but cannot be considered a private good.</p> <p>Governments provide health services because if left to the market alone, they would be inefficiently underprovided and unfairly distributed.</p>	

The marginal social benefit of healthcare exceeds the marginal benefit perceived by consumers, therefore a private competitive market would underprovide it. This lack of provision is inefficient and unfair. (See diagram 2)

The **types of market failures** that exist in the market for healthcare:

- Market failure is a situation in which market forces lead to a reduction in societal welfare.
- The market failures that exist in the health care system –
  - Equity/fairness – people may not be able to afford treatment
  - Externalities – private v social benefits
  - Lack of information – consumers may have poor knowledge of their medical needs, difficult to predict future needs
  - Moral hazard – individuals, knowing that they can get free and effective healthcare provided by government, fail to take steps to avoid the risks that the healthcare insures against.

**Government policies** can try to correct market failure through four main channels: taxation, regulation, public spending, and information.

Taxation

- Taxes are well known to influence the behaviour of companies and individuals through their effect on the prices of targeted goods and services. Some taxes are designed specifically to reduce the quantity of a product consumed (such as the high rate of tax imposed on tobacco products) or the nature of products (the soft drinks industry levy). Taxes also play an important redistributive role.

Regulation

- Controlling the supply of particular goods, services or activities has proved highly effective for tackling public health issues – especially on a national scale. A ban on smoking in public places is a prime health-related example. Other important applications of regulation to improve health include road safety measures, employment and workplace standards, and licensing of gambling and alcohol sales.

Spending

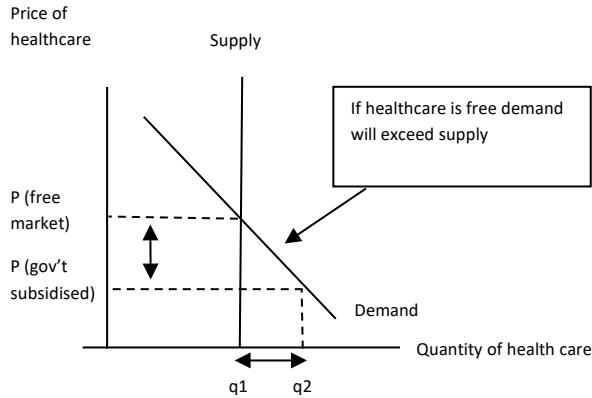
- Direct transfers – for example to people (e.g. through social security payments) or firms (e.g. subsidy payments). From a health perspective, this can be important in increasing resources for low income families
- Directly funded service provision or investment in infrastructure – for example provision including universal education or health care, or funding to local authorities.

Information

- The provision of information can help people, businesses and other institutions to make more informed choices about the activities they engage in, or the goods they consume, however, it is important to understand the constrained choices people may face when seeking to influence their behaviours, irrespective of their level of knowledge.

**Use of economic models**

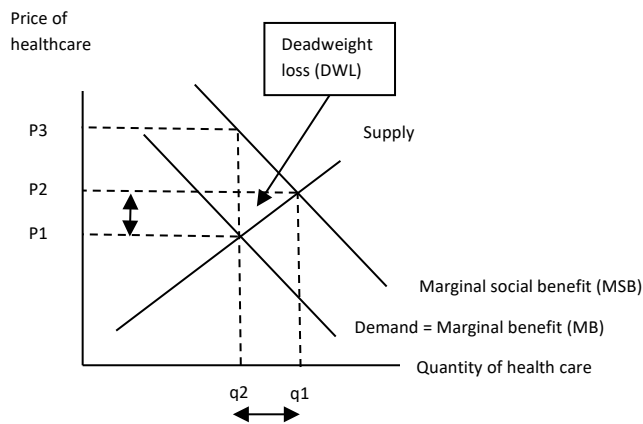
**Diagram 1**



Where  $q_2$  is the quantity demanded at the government subsidised price

Where  $q_1$  is the market quantity

**Diagram 2**



Where  $q_1$  is the efficient quantity (including social benefits)

Where  $q_2$  is the market quantity

Price of health care should be  $P_2$  (not the cheaper  $P_1$ )

## Sample assessment task

### Economics – ATAR Year 11

#### Task 7 – Unit 2 – Australia’s macroeconomic performance – case study

**Assessment type:** Investigation

**Conditions**

Part A: Research: Two (2) weeks outside of class time including 10 hours of the time allocation for Unit 2. Prior to commencing the in-class validation students must submit all other evidence of the research they have conducted, including a bibliography.

Length: 1500–2000 words

Part B: Extended answer: To be written in 50 minutes in class under invigilated conditions. Students are permitted to access their collected economic information and data from Part A during the writing of the analytical essay validation task.

Length: 1000 words

**Task weighting**

10% of the school mark for this pair of units

**Mark Allocation**

Part A: Research: 20 marks

Part B: Extended answer: 15 marks

**Total Marks: 35 Marks**

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**Task Description**

The assessment requires students to investigate the current state of the Australian economy and research one major macroeconomic issue that Australia is currently experiencing.

**Task Objectives**

This assessment task determines student achievement using the following economic skills. Students:

- select and use appropriate **terminology**
- apply **mathematical techniques** relevant to macroeconomics including:
  - calculating the inflation rate using the Consumer Price Index (CPI)
  - calculating the unemployment rate and the participation rate from labour force data
  - calculating and interpreting rates of change in Gross Domestic product (GDP)
- use economic models to analyse and convey economic theory and reasoning related to macroeconomic events and issues, including:
  - the five sector circular flow model
  - the Aggregate Production Function (APF)
  - the business cycle

- the Production Possibility Frontier
- the Lorenz curve and the Phillips curve
- select and/or use economic information and data to:
  - identify trends and relationships in the macroeconomy
  - analyse macroeconomic issues and events
  - predict movements in macroeconomic trends using indicators
  - link economic theory to contemporary macroeconomic events and issues
  - justify a conclusion
- select and **use a clear structure** when communicating economic understandings, including:
  - using a relevant and accurate diagram/model
  - reference to a diagram/model/data to support a written response
  - applying problem-solving, critical thinking and decision-making strategies to predict a macroeconomic outcome
  - recommending a range of demand management policies to achieve Australia's macroeconomic objectives and mitigate demand and supply shocks.

**Part A – Research****(20 marks)**

In preparation to complete the in-class validation component of this task, students are required to investigate the current state of the Australian economy and research one major macroeconomic issue it is currently experiencing. An example of a macroeconomic issue may include underemployment, slow economic growth, high cost of living pressures, low wage growth, declining private investment and low consumer and/or business confidence.

Students are to check with their teacher if their selected macroeconomic issue is appropriate.

Students are required to select current, accurate and reliable data and economic information from the variety of sources provided within the assessment instrument; for example, a variety of government and other institutional websites, published reports, media articles and expert commentaries.

As part of their research into their macroeconomic issue, students are to:

- collect and select data and economic information on their chosen macroeconomic issue. (4 marks)
- present the economic data on this macroeconomic issue in tables and/or graphs (4 marks)
- explain two (2) causes of this macroeconomic issue using evidence (6 marks)
- discuss three (3) economic effects of this macroeconomic issue on the Australian economy (6 marks)

**Part B – Validation: Extended answer****(15 marks)**

The extended answer will be based on some or all of the content students are required to research.

Based on research, prepare a 1000 word written response advising the Federal Treasurer and recommending a plan of action (policies) for the Government to address this macroeconomic issue. Use economic terminology models, information and data to support your recommendation.

**(15 marks)**

## Marking key for sample assessment task 7 – Unit 2

### Part A – Research

(20 marks)

Collect and select data and economic information on chosen macroeconomic issue

(4 marks)

Description	Marks
Plans and conducts comprehensive targeted research with a bibliography that draws on a range of sources (e.g. websites, print resources and visual media), including: <ul style="list-style-type: none"> <li>a selection of current, accurate and reliable data and economic information from primary and/or secondary sources relevant to macroeconomic analysis</li> <li>perceptive use of data and economic information</li> <li>consistent and accurate documentation of data and economic information in the form of a reference list and citations.</li> </ul>	4
<ul style="list-style-type: none"> <li>Selects current, accurate and reliable data and economic information from primary and/or secondary sources relevant to macroeconomic analysis.</li> <li>Uses appropriate use of data and economic information.</li> <li>Includes accurate documentation of data and economic information in the form of a reference list and citations.</li> </ul>	3
<ul style="list-style-type: none"> <li>Selects current, accurate and/or reliable data and economic information relevant to macroeconomic analysis.</li> <li>Uses adequate use of data and economic information.</li> <li>Includes some documentation of data and economic information in the form of a reference list and/or citations.</li> </ul>	2
<ul style="list-style-type: none"> <li>Collects and selects a narrow use of data and/or economic information.</li> </ul>	1
<b>Total</b>	<b>4</b>

Present the economic data on this macroeconomic issue in tables and/or graphs

(4 marks)

Description	Marks
<ul style="list-style-type: none"> <li>Interprets the macroeconomic information to describe key relationships in detail.</li> <li>Accurately translates economic data and/or information into a range of relevant and accurate formats, (e.g. tables, graphs), that are appropriate for the purpose.</li> </ul>	4
<ul style="list-style-type: none"> <li>Interprets the macroeconomic information to identify simple relationships.</li> <li>Translates economic data and/or information into a range of relevant and mostly accurate formats, (e.g. tables, graphs), that are mostly appropriate for the purpose.</li> </ul>	3
<ul style="list-style-type: none"> <li>Interprets the macroeconomic information to identify some simple patterns.</li> <li>Translates some of the economic data and/or information into a different format, (e.g. table or graph), that are mostly appropriate for the purpose.</li> </ul>	2
<ul style="list-style-type: none"> <li>Presents some macroeconomic data from the research into a provided format with limited relevance to the purpose.</li> </ul>	1
<b>Total</b>	<b>4</b>

Explain two (2) causes of this macroeconomic issue using evidence

(6 marks)

Description	Marks
For each cause identified (x2):	
Explains the cause of the macroeconomic issue using relevant examples	3
Outlines a cause of a macroeconomic issue in general terms using an example	2
Identifies a cause of an issue on the macroeconomy.	1
<b>Total</b>	<b>6</b>

Discuss two (2) effects of this macroeconomic issue on the Australian economy (6 marks)

Description	Marks
For each economic effect identified (x2):	
Discusses an economic effect on the Australian economy using suitable examples	3
Explains an economic effect that influences the macroeconomy in general terms	2
Outlines an economic effect of the macroeconomic issue on the macroeconomy	1
<b>Total</b>	<b>6</b>

**Part B – Extended answer (15 marks)**

Based on research, prepare a 1000 word written response advising the Federal Treasurer and recommending a plan of action (policies) for the Government to address this macroeconomic issue. Use economic terminology, models, information and data to support your recommendation.

Description	Marks
<ul style="list-style-type: none"> <li>Evaluates and synthesises economic ideas and perspectives to support the conclusion or recommended policy option.</li> <li>Draws a relevant conclusion to recommend a policy/action to address the macroeconomic issue.</li> <li>Applies problem-solving, critical thinking and decision-making strategies to address the macroeconomic issue and to provide a recommendation with a detailed justification.</li> <li>Uses concise expression and development of relevant ideas that enhance economic meaning and makes effective use of graphs, models and/or economic information and data.</li> <li>Consistently includes features of a persuasive essay and uses economic terminology.</li> </ul>	13–15
<ul style="list-style-type: none"> <li>Evaluates economic ideas and perspectives to support the conclusion or recommended policy option.</li> <li>Draws an effective conclusion or decision about recommended policy option to address the macroeconomic issue.</li> <li>Provides a recommendation with a justification using some economic reasoning.</li> <li>Expresses and develops relevant ideas using graphs, models and/or statistics.</li> <li>Includes features of a persuasive essay and uses economic terminology.</li> </ul>	10–12
<ul style="list-style-type: none"> <li>Uses sound evaluation and synthesis of economic ideas and/or perspectives to support the conclusion or recommended policy option.</li> <li>Draws adequate conclusion or decision about recommended policy option to address the macroeconomic issue, based on the use of relevant economic criteria.</li> <li>Provides a recommendation with logical justification and feasible economic reasoning.</li> <li>Includes features of an essay and uses some economic terminology.</li> </ul>	7–9
<ul style="list-style-type: none"> <li>Uses adequate expression to develop a policy option that conveys economic meaning</li> <li>Includes some graphs, diagrams and/or statistics</li> <li>Includes features of essay writing.</li> </ul>	4–6
<ul style="list-style-type: none"> <li>Includes opinions and statements about either economic ideas or perspectives.</li> <li>Makes a superficial conclusion or decision about a market failure.</li> <li>Identifies some reason/s for the conclusion or decision.</li> <li>Demonstrates limited elements of essay writing.</li> </ul>	1–3
<b>Total</b>	<b>15</b>