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.
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