



## Unit: Fundamentals of Economics

# Sample Marking Scheme

Markers are advised that, unless a task specifies that an answer be provided in a particular form, then an answer that is correct (factually or in practical terms) **must** be given the available marks. If there is doubt as to the correctness of an answer, the relevant NCC Education materials should be the first authority.

This marking scheme has been prepared as a **guide only** to markers and there will frequently be many alternative responses which will provide a valid answer.

Each candidate's script must be fully annotated with the marker's comments (where applicable) and the marks allocated for each part of the tasks.

**Throughout the marking, please credit any valid alternative point.**

**Where markers award half marks in any part of a task, they should ensure that the total mark recorded for the task is rounded up to a whole mark.**

**Marker's comments:**

**Moderator's comments:**

**Mark:**

**Moderated mark:**

**Final mark:**

**Penalties applied for academic malpractice:**

## Task 1 (LO1)– 25 Marks

### Scenario

On 27 April 2020, the benchmark West Texas Intermediate (WTI) crude oil price was \$12.64 per barrel. For most of 2019, WTI crude oil had been trading in the range of \$55.00 - \$65.00 per barrel.

- a) Analyse why the WTI benchmark crude oil price fell to this extent, using a supply and demand diagram to illustrate your analysis. (13 marks)

0-3 marks	4 marks	5-7 marks	8-9 marks	10-13 marks
<i>Provides basic interpretation and analysis of why crude oil prices fell.</i>	<i>Provides limited interpretation and analysis of why crude oil prices fell.</i>	<i>Provides consistent interpretation and analysis of why crude oil prices fell.</i>	<i>Provides critical interpretation and analysis of why crude oil prices fell.</i>	<i>Provides consistently critical interpretation and analysis of why crude oil prices fell.</i>
<i>Demonstrates a basic ability to contextualise answer using an accurate supply and demand diagram.</i>	<i>Demonstrates a limited ability to contextualise answer using an accurate supply and demand diagram.</i>	<i>Demonstrates a sound ability to contextualise answer using an accurate supply and demand diagram.</i>	<i>Demonstrates a consistently strong ability to contextualise answer using an accurate supply and demand diagram.</i>	<i>Demonstrates a comprehensive ability to contextualise answer using an accurate supply and demand diagram.</i>

- b) Discuss the THREE (3) items that are assumed constant when a demand curve is drawn. Which, if any, of the three *changed* in relation to the market for crude oil in early 2020? (12 marks)

0-3 marks	4 marks	5-6 marks	7-8 marks	9-12 marks
<i>Provides a basic attempt to evaluate the three constant items.</i>	<i>Provides a limited attempt to evaluate the three constant items.</i>	<i>Provides a consistent attempt to evaluate the three constant items.</i>	<i>Provides a critical attempt to evaluate the three constant items.</i>	<i>Provides a consistently critical attempt to evaluate the three constant items.</i>
<i>Provides a basic supported judgement relating to crude oil price changes.</i>	<i>Provides a limited supported judgement relating to crude oil price changes.</i>	<i>Provides a consistently supported judgement relating to crude oil price changes.</i>	<i>Provides a comprehensive supported judgement relating to crude oil price changes.</i>	<i>Provides a critical and comprehensive supported judgement relating to crude oil price changes.</i>

(Total 25 marks)

## Task 2 (LO2)– 25 Marks

- a) Certain markets have features that make them more “contestable” than others.

Evaluate the implications for a firm operating as a pure monopolist in its own country, of the international market becoming contestable. You should use research to support your answer. (10 marks)

<b>0-2 marks</b>	<b>3 marks</b>	<b>4-5 marks</b>	<b>6 marks</b>	<b>7-10 marks</b>
<i>Provides a basic attempt to evaluate the implications of international markets being contestable for domestic, pure monopoly markets.</i>	<i>Provides a limited attempt to evaluate the implications of international markets being contestable for domestic, pure monopoly markets.</i>	<i>Provides a consistent attempt to evaluate the implications of international markets being contestable for domestic, pure monopoly markets.</i>	<i>Provides a critical attempt to evaluate the implications of international markets being contestable for domestic, pure monopoly markets.</i>	<i>Provides a consistently critical attempt to evaluate the implications of international markets being contestable for domestic, pure monopoly markets.</i>
<i>Can basically identify, adapt and use appropriate research to support basic conclusions.</i>	<i>In a limited way, can identify, adapt and use appropriate research to support limited conclusions.</i>	<i>Can adequately identify, adapt and use appropriate research to support appropriate conclusions.</i>	<i>Can soundly identify, adapt and use appropriate research to support sound conclusions.</i>	<i>Can coherently identify, adapt and use appropriate research to reach well supported and highly appropriate conclusions.</i>

- b) “Monopolies are usually regarded as working against the interests of society.”

Discuss (with the use of supporting research) arguments that are in support of **and** in contrast to, the above statement. (15 marks)

<b>0-4 marks</b>	<b>5 marks</b>	<b>6-8 marks</b>	<b>9-10 marks</b>	<b>11-15 marks</b>
<i>Provides a basic attempt to evaluate the role of monopolies within society.</i>	<i>Provides a limited attempt to evaluate the role of monopolies within society.</i>	<i>Provides a consistent attempt to evaluate the role of monopolies within society.</i>	<i>Provides a critical attempt to evaluate the role of monopolies within society.</i>	<i>Provides a consistently critical attempt to evaluate the role of monopolies within society.</i>
<i>Can basically identify, adapt and use appropriate research to support basic conclusions.</i>	<i>In a limited way, can identify, adapt and use appropriate research to support limited conclusions.</i>	<i>Can adequately identify, adapt and use appropriate research to support appropriate conclusions.</i>	<i>Can soundly identify, adapt and use appropriate research to support sound conclusions.</i>	<i>Can coherently identify, adapt and use appropriate research to reach well supported and highly appropriate conclusions.</i>

(Total 25 marks)

### Task 3 (LO3) – 25 Marks

Aggregate demand in Country C is given by  $C + I + G + (X - Z)$ , where

C = consumption expenditure

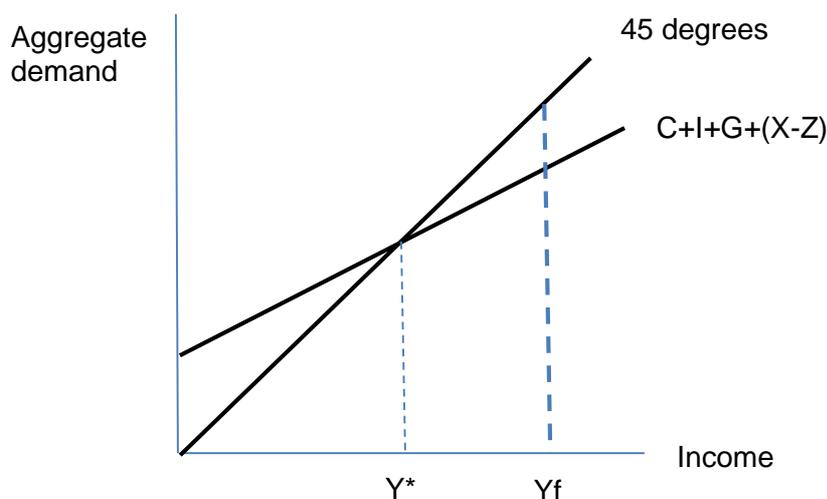
I = investment expenditure

G = government expenditure

X = exports

Z = imports

- a) Assume that Country C is in recession, with a level of income of  $Y^*$  that is significantly less than the full employment level of income, as demonstrated in the diagram below:



The government of Country C decides to use fiscal policy, in the form of changes in government expenditure or taxation, in order to shift the economy from  $Y^*$  to  $Y_f$ . Identify what the monetary implications of this change in fiscal policy will be **and** discuss how those implications may limit the effectiveness of the fiscal policy. (10 marks)

0-2 marks	3 marks	4-5 marks	6 marks	7-10 marks
<i>Provides a basic understanding of the monetary implications of a change in fiscal policy.</i>	<i>Provides a limited understanding of the monetary implications of a change in fiscal policy.</i>	<i>Provides a consistent understanding of the monetary implications of a change in fiscal policy.</i>	<i>Provides a critical understanding of the monetary implications of a change in fiscal policy.</i>	<i>Provides a consistently critical understanding of the monetary implications of a change in fiscal policy.</i>
<i>Provides basic interpretation and evaluation of how the monetary implications may limit the effectiveness of fiscal policy.</i>	<i>Provides limited interpretation and evaluation of how the monetary implications may limit the effectiveness of fiscal policy.</i>	<i>Provides consistent interpretation and evaluation of how the monetary implications may limit the effectiveness of fiscal policy.</i>	<i>Provides critical interpretation and evaluation of how the monetary implications may limit the effectiveness of fiscal policy.</i>	<i>Provides consistently critical interpretation and evaluation of how the monetary implications may limit the effectiveness of fiscal policy.</i>

- b) Assess the THREE (3) major constraints that apply when governments use fiscal policy in an attempt to stabilise the level of income in an economy. (15 marks)

<b>0-4 marks</b>	<b>5 marks</b>	<b>6-8 marks</b>	<b>9-10 marks</b>	<b>11-15 marks</b>
<i>Provides a basic understanding of the 3 major constraints associated with using fiscal policy.</i>	<i>Provides a limited understanding of the 3 major constraints associated with using fiscal policy.</i>	<i>Provides a consistent understanding of the 3 major constraints associated with using fiscal policy.</i>	<i>Provides a critical understanding of the 3 major constraints associated with using fiscal policy.</i>	<i>Provides a consistently critical understanding of the 3 major constraints associated with using fiscal policy.</i>
<i>Demonstrates basic ability to assess the effectiveness of how the constraints can stabilise the level of income.</i>	<i>Demonstrates limited ability to assess the effectiveness of how the constraints can stabilise the level of income.</i>	<i>Demonstrates adequate ability to assess the effectiveness of how the constraints can stabilise the level of income.</i>	<i>Demonstrates sound ability to assess the effectiveness of how the constraints can stabilise the level of income.</i>	<i>Can coherently assess the effectiveness of how the constraints can stabilise the level of income.</i>

(Total: 25 marks)

#### **Task 4 (LO4) – 25 Marks**

- a) Starting in March 2020, as a consequence of the Covid-19 pandemic, governments in many countries pursued “lockdown” policies, involving the temporary closure of many businesses and the requirement for as many people as possible to stay at home. Stock markets in many countries experienced large falls in value. Making use of the THREE (3) *motives for holding money*, analyse the impact of the Covid-19 pandemic upon the demand for holding money. (15 marks)

<b>0-4 marks</b>	<b>5 marks</b>	<b>6-8 marks</b>	<b>9-10 marks</b>	<b>11-15 marks</b>
<i>Provides a basic understanding of the 3 major motives for holding money.</i>	<i>Provides a limited understanding of the 3 major motives for holding money.</i>	<i>Provides a consistent understanding of the 3 major motives for holding money.</i>	<i>Provides a critical understanding of the 3 major motives for holding money.</i>	<i>Provides a consistently critical understanding of the 3 major motives for holding money.</i>
<i>Demonstrates basic ability to analyse the impact of Covid-19 upon the demand for holding money.</i>	<i>Demonstrates limited ability to analyse the impact of Covid-19 upon the demand for holding money.</i>	<i>Demonstrates adequate ability to analyse the impact of Covid-19 upon the demand for holding money.</i>	<i>Demonstrates sound ability to analyse the impact of Covid-19 upon the demand for holding money.</i>	<i>Can coherently analyse the impact of Covid-19 upon the demand for holding money.</i>

- b) In response to the Covid-19 pandemic, governments started to engage in large-scale monetary easing, which resulted in interest rates at unprecedentedly low levels. Discuss how very low interest rates may affect the *real economy* and prevent a larger fall in national income that would otherwise occur. (10 marks)

<b>0-2 marks</b>	<b>3 marks</b>	<b>4-5 marks</b>	<b>6 marks</b>	<b>7-10 marks</b>
<i>Provides a basic understanding of the role of interest rates.</i>	<i>Provides a limited understanding of the role of interest rates.</i>	<i>Provides a consistent understanding of the role of interest rates.</i>	<i>Provides a critical understanding of the role of interest rates.</i>	<i>Provides a consistently critical understanding of the role of interest rates.</i>
<i>Provides basic interpretation and evaluation of how the interest rates can prevent a larger fall in national income in the identified circumstances.</i>	<i>Provides limited interpretation and evaluation of how the interest rates can prevent a larger fall in national income in the identified circumstances.</i>	<i>Provides consistent interpretation and evaluation of how the interest rates can prevent a larger fall in national income in the identified circumstances.</i>	<i>Provides critical interpretation and evaluation of how the interest rates can prevent a larger fall in national income in the identified circumstances.</i>	<i>Provides interpretation and evaluation of how the interest rates can prevent a larger fall in national income in the identified circumstances.</i>

(Total: 25 marks)

#### **Note to markers**

Please take appropriate action for any malpractice (plagiarism, collusion, referencing issues etc.) discovered as per the *AQ\_28-a01\_Academic Misconduct Policy* document. Please also complete and submit the *Malpractice Declaration Form*.

## Learning Outcomes matrix

Task	Learning Outcomes assessed	Marker can differentiate between varying levels of achievement
1	1	Yes
2	2	Yes
3	3	Yes
4	4	Yes

## Grade descriptors

Learning Outcome	Fail	Referral	Pass	Merit	Distinction
Apply the basic tools of microeconomics and the theories of demand and supply	Provides basic interpretation and evaluation of relevant information and ideas to address problems that are well defined but non-routine.	Provides limited interpretation and evaluation of relevant information and ideas to address problems that are well defined but non-routine.	Provides consistent interpretation and evaluation of relevant information and ideas to address problems that are well defined but non-routine.	Provides critical interpretation and evaluation of relevant information and ideas to address problems that are well defined but non-routine.	Provides consistently critical interpretation and evaluation of relevant information and ideas to address problems that are well defined but non-routine.
Analyse the various forms of market structure	Can basically identify, adapt and use appropriate skills, methods and procedures to reach basic solutions.	In a limited way, can identify, adapt and use appropriate skills, methods and procedures to reach limited solutions.	Can adequately identify, adapt and use appropriate skills, methods and procedures to reach appropriate solutions.	Can soundly identify, adapt and use appropriate skills, methods and procedures to reach supported and appropriate solutions.	Can coherently identify, adapt and use appropriate skills, methods and procedures to reach well supported and highly appropriate solutions.
Analyse the key components of macroeconomics	Has basic awareness of different perspectives or approaches within the area of study	Has limited awareness of different perspectives or approaches within the area of study	Has adequate awareness of different perspectives or approaches within the area of study	Has sound, informed awareness of different perspectives or approaches within the area of study	Has comprehensive, well-informed awareness of different perspectives or approaches within the area of study
Examine the monetary policy and its effect on the economy	Demonstrates basic ability to review the effectiveness and appropriateness of actions, methods and results	Demonstrates limited ability to review the effectiveness and appropriateness of actions, methods and results	Demonstrates adequate ability to review the effectiveness and appropriateness of actions, methods and results	Demonstrates sound ability to review the effectiveness and appropriateness of actions, methods and results	Demonstrates comprehensive ability to review the effectiveness and appropriateness of actions, methods and results