



# Unit: Fundamentals of Economics

## Sample Assignment

### Important notes

- Please refer to the *Assignment Presentation Requirements* for advice on how to set out your assignment. These can be found on the NCC Education website. Click on 'Policies & Advice' on the main menu and then click on 'Student Support'.
- You must read the NCC Education documents *What is Academic Misconduct? Guidance for Candidates* and *Avoiding Plagiarism and Collusion: Guidance for Candidates* and ensure that you acknowledge all the sources that you use in your work. These documents are available on the NCC Education website. Click on 'Policies & Advice' on the main menu and then click on 'Student Support'.
- You **must** complete the *Statement and Confirmation of Own Work*. The form is available on the NCC Education website. Click on 'Policies & Advice' on the main menu and then click on 'Student Support'.
- Please make a note of the recommended word count. You could lose marks if you write 10% more or less than this.
- You must submit a paper copy and digital copy. Media containing viruses, or media that cannot be run directly, will result in a fail grade being awarded for this assessment.
- All electronic media will be checked for plagiarism.

## Task 1 – 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)
- 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)

**(Total 25 marks)**

## Task 2 – 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) “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)

**(Total 25 marks)**

### Task 3 – 25 Marks

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

C = consumption expenditure

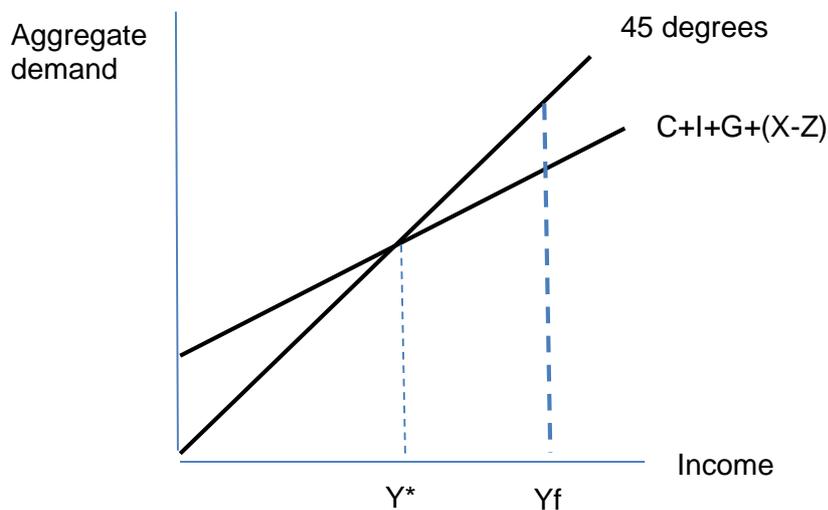
I = investment expenditure

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)

- 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)

**(Total: 25 marks)**

## Task 4 – 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) 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)

**(Total: 25 marks)**

## Guidance:

Consult with your tutor if you are uncertain about any aspect of this assignment.

## Submission requirements:

Your report should answer Tasks 1 to 4. The word count for your report is **3000 words**.

## Candidate checklist:

Please use the following checklist to ensure that your work is ready for submission.

- Have you read the NCC Education documents *What is Academic Misconduct? Guidance for Candidates* and *Avoiding Plagiarism and Collusion: Guidance for Candidates* and ensured that you have acknowledged all the sources that you have used in your work?
- Have you completed the *Statement and Confirmation of Own Work* form and attached it to your assignment? **You must do this.**
- Have you ensured that your work has not gone over or under the recommended word count by more than 10%?
- Have you ensured that your work does not contain viruses and can be run directly?