

Assessment Schedule – 2008

Economics – Describe international trade and its causes and effects using economic models (90795)

Evidence Statement

Code	Question	Evidence	Achievement	Merit	Excellence
A	One (a)	(4 or 3) balance on services/ Balance on goods (5) balance on income (6) balance on current transfers (3) balance on goods (2) capital account (1) financial account	Four correct		
	(b)	The current account deficit is funded by borrowing from overseas. Overseas funds are attracted to New Zealand when interest rates are high, but the high interest rates can have a negative impact on New Zealand's economy because consumers and producers will be less inclined to borrow and consumption and investment will decrease. So the current account deficit is an important issue for the New Zealand economy because of the negative impact on economic growth.	Provides partial explanation including ONE valid point.	Provides explanation including TWO valid points.	
A^c	Two (a)	<ul style="list-style-type: none"> • two countries • two goods • no transport costs • free trade • mobility of resources within a country • constant costs (no diminishing returns) 	TWO correct.		
A^c	(b)	$\frac{30}{20} = 1.5$ υντως οφβοψαε νβε πρε σ	Correct number of units.		
A^c	(c) (i)	Country A	Correct country.		
M^c	(ii)	Country A should produce strawberries because the opportunity cost in terms of boysenberries is least, ie it costs Country A 0.8 boysenberry units whereas it costs Country B 1.5 boysenberry units.		Correct explanation. Must use OC figures.	

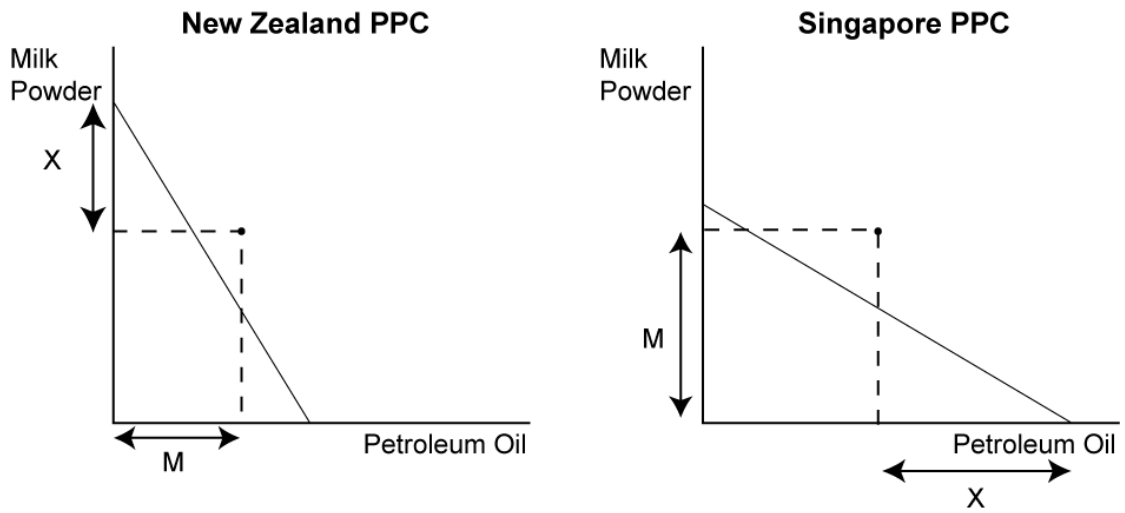
A^C or M^C	Three (a)	See Appendix One .	Partially correct, ie TWO arrows and labels correct.	Correctly identifies X and M on both graphs with arrows.	
M^E	(b)	The level of production of milk powder in New Zealand is greater than it would be if New Zealand produced only what it could consume. New Zealand can export what it does not consume to Singapore. The level of employment is higher than it would be if New Zealand did not export, so household incomes are also higher and consumption is consequently higher, making a positive impact on growth. New Zealand can import from Singapore oil that can be used for the production of other goods, which can also add to economic growth.		Correct explanation providing TWO valid points. Impact on output and impact on growth.	
A^E	Four (a)	Equilibrium price: \$3.00 Equilibrium quantity: 30 million kg	BOTH correct (must have correct units)		
A^E	(b)	See Appendix Two .	Shows and correctly labels world price as a horizontal line at \$5.00.		
A^C	(c)	45 million × \$5.00 = \$225 million.	Correct answer.		
A^E	(d)	15 million × \$5.00 = \$75 million 30 million × \$5.00 = \$150 million	Correct answers.		
M^E or E	(e)	The price of butter has increased in the world market, so New Zealand farmers will want to export as much as possible to gain the high price. Therefore, the price of butter in New Zealand must match the overseas price or farmers will not supply to the domestic market. The increase in price will cause the quantity demanded by the domestic markets to decrease. That quantity demanded decreases from 30 million kg to 15 million kg, and exports increase to 30 million kg.		Provides partial explanation including TWO valid points. Must use numbers as references	Provides valid explanation for increase in NZ price, with TWO valid points. With references included.

A^c	Five (a)	See Appendix Three .	Correctly shows both price and quantity shown on graphs.		
A^e or M^E	(b)	See Appendix Four .	AE with label error.	Correctly identifies exports AND imports.	
A^c or M^c	(c)	Australian canned peach producers will export to New Zealand because the price is higher in NZ, so the Australian producers will receive a higher revenue. New Zealand will import canned peaches from Australia because the price is lower than the NZ price.	Provides valid explanation containing reason for exporting by Australia or importing by New Zealand.	Provides valid explanation containing reason for exporting and importing by Australia and New Zealand.	
M^E or E	Six	The NZ dollar is strong against the US dollar, which means the NZ export receipts will be relatively lower than they would be if the NZ dollar were weaker against the US dollar/comment on competitiveness Revenue received in the beef industry will decrease. This may result in a decrease in maintenance on the farm, a decrease in investment in capital equipment, and a decrease in employment of farm workers. Resources may be converted to more profitable use, eg land could be converted to dairy farms.		Includes full explanation of the effect of the exchange rate on the revenue received by exporters.	Includes full explanation of the effect of the exchange rate on the revenue received by exporters AND at least TWO flow-on effects to the beef industry.

Judgement Statement

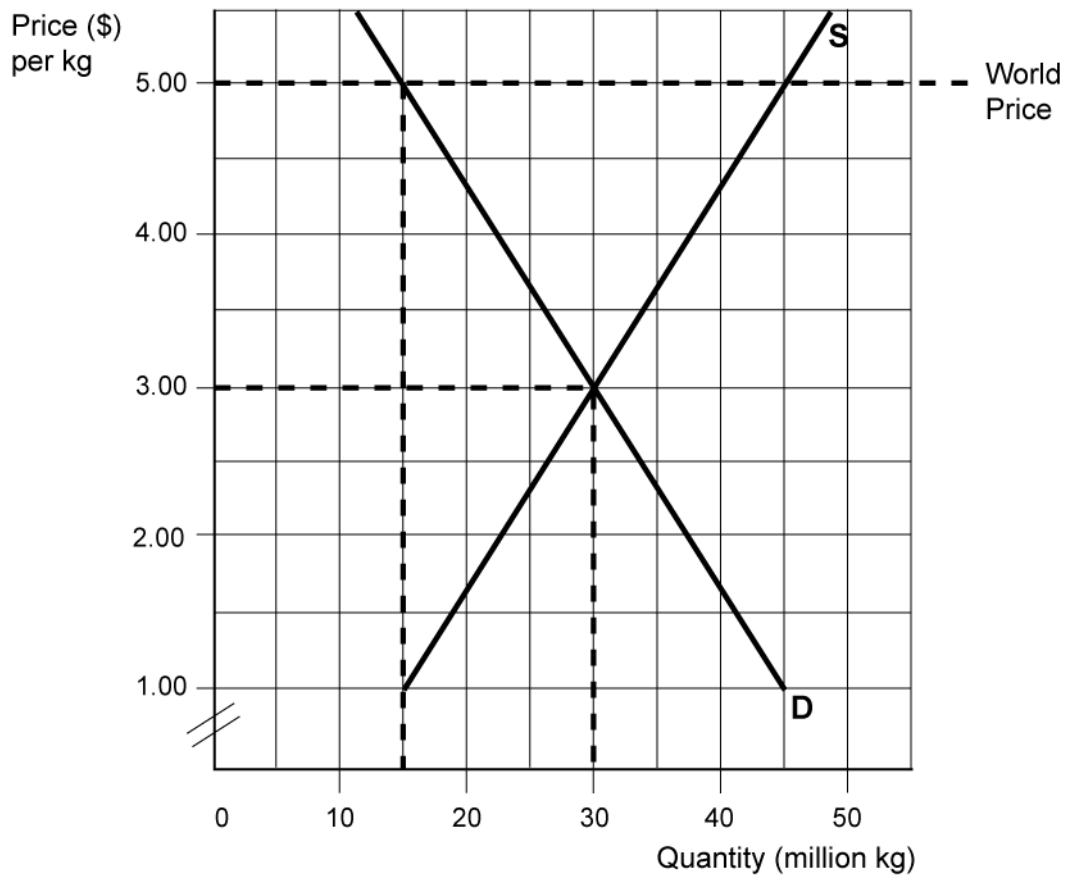
Achievement	Achievement with Merit	Achievement with Excellence
<p>Minimum of:</p> <p>1 × A^C</p> <p><i>and</i></p> <p>1 × A^E</p> <p> </p> <p><i>and</i></p> <p>6 other A or M or E</p>	<p>Minimum of:</p> <p>1 × M^C</p> <p><i>and</i></p> <p>2 × M^E</p> <p><i>and</i></p> <p>any other M</p> <p> </p> <p><i>and</i></p> <p>8 other A or M or E</p>	<p>Minimum of:</p> <p>1 × E</p> <p><i>and</i></p> <p>1 × M^C</p> <p><i>and</i></p> <p>2 × M^E</p> <p><i>and</i></p> <p>any other M</p> <p> </p> <p><i>and</i></p> <p>9 other A or M or E</p>
<p>Codes:</p> <p>The suffix ^C in A^C and M^C refers to causes.</p> <p>The suffix ^E in A^E and M^E refers to effects.</p>		

Appendix One



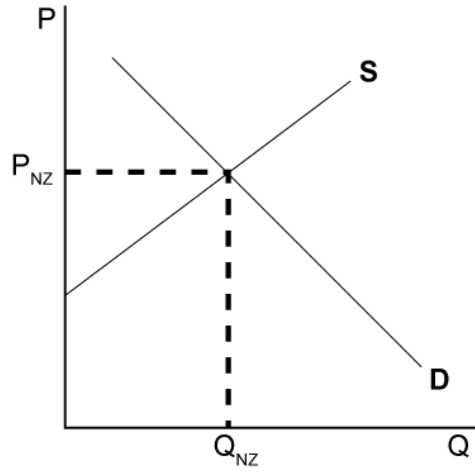
Appendix Two

New Zealand Butter Market

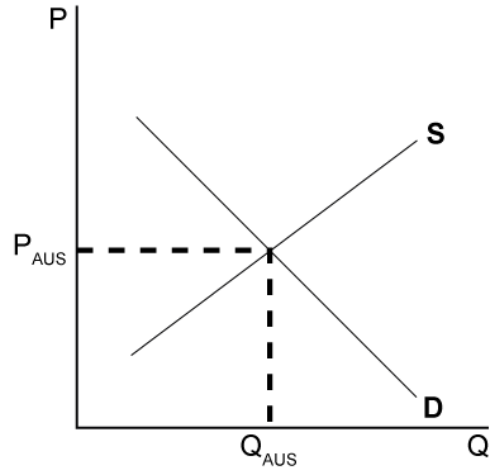


Appendix Three

New Zealand

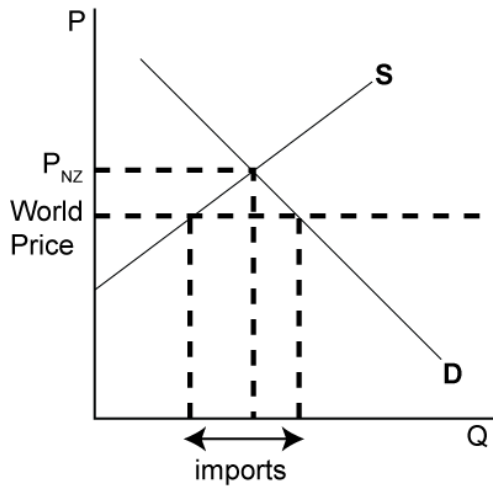


Australia



Appendix Four

New Zealand



Australia

