

# NSS Assessing Student Learning for the Economics Curriculum:

Briefing on Public Assessment of HKDSE Economics: illustration of the Practice Papers 13/22 Feb 2012

# Public assessment

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- Paper 1 2012:30% (25% with SBA implemented)
- Paper 2 2012:70% (60% with SBA implemented)
- SBA 2012:0%



# Practice papers

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- Paper 1:
- On compulsory part of the curriculum
- Answer all questions
- 40 multiple choice questions
- Account for 30% of the subject marks (without SBA)
- 60 minutes



# Practice papers

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- Paper 2 section A:
- On compulsory part of the curriculum
- Short questions
- All questions are compulsory
- 10 short questions
- 50 marks
- Account for 30% of the subject marks (without SBA)
- Time recommended: About 45 minutes



# Practice papers

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- Paper 2 section B:
- On compulsory part of the curriculum
- Structured/essay-type questions
- All questions are compulsory
- 4 structured questions
- 54 marks
- Account for 31% of the subject marks (without SBA)
- Time recommended: About 55 minutes



# Practice papers

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- Paper 2 section C:
- On elective part of the curriculum
- Structured/essay-type questions
- Attempt questions on ONE elective only
- 2 structured questions
- 16 marks each
- Account for 9% of the subject marks (without SBA)
- Time recommended: About 15 minutes



# Question setting

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- Assessment objectives
- Skills tested
- Coverage of the curriculum
- Level of difficulty
- Topics of CE/AL/new areas
- Length



# Specification Grid

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Please refer to page 3-4 in the handout



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# Paper 1

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Q8

An increase in tobacco duty will lead to

- A. a rise in government tax revenue from cigarettes.
- B. a rise in smokers' total expenditure on cigarettes.
- C. a fall in the total market value of cigarettes.
- D. a fall in cigarette retailers' total revenue net of tax.



# Paper 1

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Q8

- Total expenditure (of the buyers)
- Total market value
- Total revenue (of the seller)  
(pre-tax or net-of-tax?)
- Government's tax revenue



# Paper 1

Q11

Refer to the following demand and supply schedules of good X.

Unit price (\$)	20	18	16	14	12	10
Quantity demanded (units)	500	550	600	650	700	750
Quantity supplied (units)	800	750	700	650	600	550

If the government lowers the quota from 700 units to 550 units,

- A. the market price will drop by \$2.
- B. the market price will rise by \$2.
- C. the market price will rise by \$4.
- D. the market price will rise by \$6.



# Paper 1

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Q11

- Initial quota = ineffective
- Initial P and Q
- New quota = effective
- New P and Q



# Paper 1

Q12

The following table shows the total cost schedule of a price-taking firm which has a fixed cost equal to \$20.

Quantity (units)	1	2	3	4	5
Total cost (\$)	40	65	95	130	170

Suppose the market price is \$35. At the profit-maximizing output level, the firm's profit and total producer surplus are \_\_\_\_\_ and \_\_\_\_\_ respectively.

- A. \$10 ... \$10
- B. \$10 ... \$30
- C. \$30 ... \$10
- D. \$30 ... \$30



# Paper 1

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## Q12

- Relationship between TC, MC
- At Profit Max,  $P=MC$
- $TR = P \times Q$
- Calculation of profit =  $TR - TC$
- Calculation of total producer surplus  
= Sum of  $(P - MC)$  for each unit  
=  $TR - (TC - FC)$



# Paper 1

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Q13

Which of the following is **INCONSISTENT** with the law of demand?

- A. An imposition of an import quota on garments will lead to an improvement in the average quality of imported garments.
- B. People who live in remote areas tend to buy better seats at concerts held in the town centre.
- C. An increase in unemployment allowance raises the unemployment rate.
- D. If an additional lump-sum charge is imposed per taxi trip, the number of short-distance trips will fall by a smaller percentage than the number of long-distance trips.



# Paper 1

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Q13

Law of demand application:

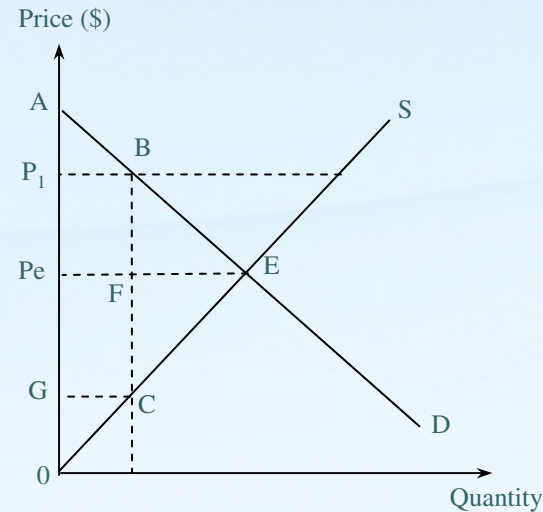
- Relative price/cost change → change in behaviour
- Factors affecting cost/relative prices
  - price of quota
  - transportation fee (regardless of price)
  - tax allowance/other costs
  - lump sum charges
  - per unit/ ad valorem tax
  - price of other goods





# Paper 1

Q15 The following diagram shows the demand and supply curves of good X in a perfectly competitive market.



- Suppose a price floor is set at  $P_1$ . As a result,
- A. the deadweight loss is equal to area BEF.
  - B. the producer surplus is equal to area  $P_1BC0$ .
  - C. the consumer surplus is equal to area AEPe.
  - D. the total social surplus is equal to area  $P_1BCG$ .



# Paper 1

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Q15

- Deadweight loss
  - Producer surplus
  - Consumer surplus
  - Total social surplus
- P and Q under disequilibrium



# Paper 1

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Q16

Which of the following are features of a perfectly competitive market?

- (1) The marginal revenue of each firm equals the market price.
  - (2) The sellers and buyers have perfect market information.
  - (3) The marginal cost schedule of a firm is the same as its supply schedule.
- A. (1) and (2) only
  - B. (1) and (3) only
  - C. (2) and (3) only
  - D. (1), (2) and (3)



# Paper 1

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Q16

- Perfectly competitive market
- Profit maximizing condition:  $P = MC$   
(necessary condition)
- The entry/exit condition (zero profit condition):  $AR \geq AC$   
(sufficient condition)  
is NOT required in the curriculum



# Paper 1

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Q33

Which of the following statements about the classical quantity theory of money is **INCORRECT**?

- A. Both the velocity of circulation of money and the real output are assumed to be constant.
- B. Any change in money supply will lead to the same proportional change in nominal output.
- C. Deflation will occur when there is a continuous fall in money supply.
- D. Any change in price level will lead to the same proportional change in money supply.



# Paper 1

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Q33

- Assumption of QTM:  $V$  constant
- Classical = long-run:  $Y = Y_f$
- Causality:  
Change in  $M_s \rightarrow$  change in  $P$ , NOT  
the reverse



# Paper 2

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General reminder:

- Please don't use colour to indicate the areas in the diagram
- Don't successively use symbols in the answer
- Express the answer in a comprehensible way: rough work not written in the designated spaces will **NOT** be marked



# Paper 2

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## Q1

- Merely recite the definition of interest  
→ only partial credit
- Candidates are required to address the question for Peter and Mary SEPERATELY, by applying the concept of interest in the case of borrower and lender.





# Paper 2

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## Q2

- Common demerit:
  - fail to explain why it is the horizontal integration

## Q3

- Common demerit:
  - fail to identify the reduction in supply
  - shifts both demand and supply



# Paper 2

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## Q4

- For part b), candidates fail to correctly indicate the consumer surplus, producer surplus and/or deadweight loss clearly.



# Paper 2

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Q5

- Common demerit:
  - fail to mention the income is derived from current production/ it is a factor income

Q6

- Common demerit:
  - excessive use of symbols



# Paper 2

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Q7

- Common demerit:
  - fails to name 3 phenomena
  - repeat the point of GDP growth rate

Q8

- Standard of deferred payment:  
Cheques can be used as the means of deferred payment (post-dated cheques), but not as a “standard”.



# Paper 2

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Q9

- Common demerit:
  - improper presentation of the answer

Q10

- Common demerit:
  - fail to note that the effect of total expenditure is uncertain



# Paper 2

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Q11

- Common demerit:
  - b) fail to argue that it is a public good by relating to the features of a public good
  
  - d) Candidates using the concept of equalizing income/outcome and equalizing opportunities could express their answers in a more proper way.



# Paper 2

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## Q12

- Common demerit:
  - ai) fail to note the perfectly inelastic supply
  - aii) relieve = eliminate?
  - bii) fail to evaluate the proposal in different economic agents' perspective



# Paper 2

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## Q12

- bii) Candidates' arguments are without stand, or the stand is NOT supported by the reasoning.
- Key point:
  1. discuss the effectiveness of a policy (the problem of "could")
  2. argue any costs/benefits on other economic agents (broaden the analysis)





# Paper 2

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Q12

- bii) Possible approach to this question:
  - raising price can effectively kick out touts → **government should go for the proposal**
  - raising price cannot effectively kick out touts (e.g. information cost of setting the price) → **government should not go for the proposal**



# Paper 2

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## Q12

- Possible consequences on different economic agents/ economic efficiency which should be considered in the policy evaluation → as a reason to support their stands



# Paper 2

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## Q13

- a) mix up the three different approaches to explain the upward-sloping SRAS curves
  - sticky wage
  - misconception on factor prices
  - misconception on output prices
- b) fails to explain why certain component(s) of AD drop(s)



# Paper 2

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## Q13

- c) shift the curve correctly but fail to mention the adjustment of factor prices/inflation expectation which leads to a change in SRAS

## Q14

- bi) fail to explain why the monetary base remains unchanged



# Paper 2

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Q14

- bii) candidates may use different formula to find the money supply, while the step-by-step approach is most safe
- Common demerit:
  - c) fail to mention the direction of change or fail to mention the magnitude of change (same %)



# Paper 2

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## Q15

- Common demerit:
  - ai) fail to label the diagram properly/  
indicate  $MC=0$ / correct P or Q
  - a ii) fail to reason why it is inefficiency
  - b ii) fail to relate the definition of PD  
with the case in the question



# Paper 2

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Q16

- Common demerit:
  - a ii) fail to label the consumption possibility curve (of country A and B)
  - a iii) use calculation instead of the diagram to infer gains from trade
  - b ii) fail to compare the situation a decade before with the current situation



# Paper 2

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## General comments:

- Candidates should read the questions much more carefully so that careless mistakes can be avoided.
- Candidates should try to relate economic concepts and theories to the case given in the questions instead of merely regurgitating definitions.





# Paper 2

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## General comments:

- Candidates should learn to consider a normative issue from the perspectives of different stakeholders.
- Candidates should make more effort to improve their spelling. (At least) Key concepts should be correctly spelt.
- Candidates should try to improve their handwriting. Some candidates' handwriting is illegible.



# Frequently asked questions

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Q: Students can answer the keywords but they have presented no/ wrong explanation. How to mark? (e.g. Q4, Q5, Q6, Q9)

A: no marks should be awarded if the students are guessing the answer without any reasons, or arrive at the answer with obvious logical errors or self-contradictory arguments.



# Frequently asked questions

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Q: For questions involving calculation, students may have correct steps but arrive at a wrong final answer, or arriving at an correct answer with inaccurate steps. How to mark?

A: Partial credit is deserved when the answer is partially correct. Alternative approach is accepted as long as it is well-reasoned and accurate.



# Frequently asked questions

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Q: If a student answer both Q15 and Q16, will both questions be marked?

A: Yes. Both questions will be marked and the higher mark will be selected. But please beware of the time cost involved.



# Frequently asked questions

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Q: Any rough work sheet?

A: Rough work sheets will be provided on request.



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~~~Thank You~~~

