

Freyberg High School

Internal Assessment Resource Economics Level 3

This resource supports assessment against:

Achievement Standard 91401 - 3.3

Demonstrate understanding of micro-economic concepts

Resource title: Petrol Prices

5 Credits.

Achievement	Achievement with Merit	Achievement with Excellence
<ul style="list-style-type: none">• Demonstrate understanding of micro-economic concepts.	<ul style="list-style-type: none">• Demonstrate in-depth understanding of micro-economic concepts.	<ul style="list-style-type: none">• Demonstrate comprehensive understanding of micro-economic concepts.

Internal Assessment Resource

Achievement Standard Economics 91401: Demonstrate understanding of micro-economic concepts

Resource reference: Economics 3.3

Resource title: Petrol Prices

Credits: 5

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of micro-economic concepts.	Demonstrate in-depth understanding of micro-economic concepts.	Demonstrate comprehensive understanding of micro-economic concepts.

Student instructions

Introduction

This assessment activity requires you to write a report on the different aspects of the **PETROL PRICES, incorporating micro-economic concepts**.

You will be assessed on the extent to which you identify the implications of PETROL PRICE RISES on **consumers, producers, and the government**, and on your ability to use **models**, and **data** or other information, to support your explanations.

You have **two** weeks of in-class and out-of-class time in which to individually complete your report.

Task

You need to analyse the impact of recent petrol price increases you will need to cover the following points.

- impact of increasing petrol prices on consumer demand.
- impact of increasing petrol prices on the oil industry.
- impact of increasing petrol price rises on the government.
- oil industry market structure and methods of competition used .

Important points to look at are

- The type of market structure the oil industry has. Definition, explanation with a model to help explain.
Evidence to help back up your explanation.
- Elasticity of demand for petrol, what is this, how does it affect consumer demand, evidence to support what you have said.
- What indirect taxes are included in the price of petrol.
- Impact of price increases on other goods (substitutes and complements)
- Cross Price and Income Elasticity of demand.
- What impact will an increase in the price of petrol have on consumer, producers and the government.

Models You Should incorporate include.

- Market Structure Diagram for petrol industry with explanation.

- Demand and supply diagrams to explain elasticity and the impacts on different areas.

Identify a different micro-economic concept for each aspect.

1. Prepare a brief outline (one for each aspect), which covers how the micro-economic concept is relevant to the aspect, what data or information is needed, and what economic models you could use to predict the likely implications for consumers, producers, and/or the government.
2. Submit your two outlines to your teacher for feedback, making adjustments as required.
3. Write a report on the impacts of petrol price rises. Each of the aspects should include:
 - a detailed explanation of the micro-economic concept involved, supported by relevant economic models, and data or information
 - justification of the implications for the consumers, producers, and/or the government.

Assessment schedule: Economics 91401 Dairy boom

Evidence/Judgements for Achievement	Evidence/Judgements for Achievement with Merit	Evidence/Judgements for Achievement with Excellence
<p>The student has demonstrated understanding of micro-economic concepts.</p> <p>The student has submitted a report on two different micro-economic concepts that relate to two aspects of the dairy market boom.</p> <p>In the report the student has:</p> <ul style="list-style-type: none"> provided an explanation of two micro-economic concepts using an appropriate economic model(s) processed and/or presented data or information to support the economic analysis. <p>Example of possible student response:</p> <p><i>One aspect of the dairy boom is the impact of high dairy prices on the sheep farming industry.</i></p> <p><i>The economic concept I am exploring is the role of prices and profits in determining resource allocation (explained using the PPF model).</i></p> <p><i>A rush of dairy property transactions in December has helped lift the median farm sale price to the highest level of the year in the latest Real Estate Institute of New Zealand (REINZ) rural market statistics.</i></p> <p><i>Purchases of grazing and dairy support blocks were lower than last year, but Peter McDonald expects buyer interest to improve as a consequence of the upswing in the market for dairy farms.</i></p> <p>http://www.scoop.co.nz/stories/BU1101/S00238/december-dairy-farm-sales-revive-rural-property-market.htm</p>	<p>The student has demonstrated in-depth understanding of micro-economic concepts.</p> <p>The student has submitted a report on two different micro-economic concepts that relate to two aspects of the dairy market boom.</p> <p>In the report the student has:</p> <ul style="list-style-type: none"> provided detailed explanations of two micro-economic concepts using an appropriate economic model(s) used data or information that supports the economic analysis. <p>Example of possible student response:</p> <p><i>One aspect of the dairy boom is the impact of high dairy prices on the sheep farming industry.</i></p> <p><i>The economic concept I am exploring is the role of prices and profits in determining resource allocation (explained in detail, supported with the PPF model and demand and supply model for the market for lamb meat).</i></p> <p><i>A rush of dairy property transactions in December has helped lift the median farm sale price to the highest level of the year in the latest Real Estate Institute of New Zealand (REINZ) rural market statistics.</i></p> <p><i>Purchases of grazing and dairy support blocks were lower than last year, but Peter McDonald expects buyer interest to improve as a consequence of the upswing in the market for dairy farms.</i></p> <p>http://www.scoop.co.nz/stories/BU1101/S00238/d</p>	<p>The student has demonstrated comprehensive understanding of micro-economic concepts.</p> <p>The student has submitted a report on two different micro-economic concepts that relate to two aspects of the dairy market boom.</p> <p>In the report the student has also:</p> <ul style="list-style-type: none"> provided a detailed explanation, supported by models and data and/or information that justify the identified implications for consumers, producers and/or government. <p>Example of possible student response:</p> <p><i>One aspect of the dairy boom is the impact of high dairy prices on the sheep farming industry.</i></p> <p><i>The economic concept I am exploring is the role of prices and profits in determining resource allocation (explained in detail, supported with the PPF model and demand and supply model for the market for lamb meat).</i></p> <p><i>For sheep farmers, the cost of farmland and other resources that are common will increase, resulting in decreased profits, so supply will decrease.</i></p> <p><i>An implication for the consumer is likely to be higher prices for lamb as well as dairy products because the land and resources will be switched away from sheep farming, resulting in a reduction in supply and an increase in prices.</i></p> <p><i>For example, lamb prices in Jan 2010 were 412 c/kg and rose to 639 c/kg to April 2011.</i></p> <p>www.interest.co.nz</p> <p><i>Farm expense index rose from 0.1213 in Dec 2009</i></p>

<p><i>This data shows that dairy farming is experiencing a boom. This is likely to result in a shift of resources from sheep farming to dairy farming.</i></p> <p><i>The examples above relate to only part of what is required, and are just indicative.</i></p>	<p><u>December-dairy-farm-sales-revive-rural-property-market.htm</u></p> <p><i>This data shows that as dairy farming is experiencing a boom, grazing land that would have been suitable for sheep farming will be purchased and converted for use as dairy farms.</i></p> <p><i>The examples above relate to only part of what is required, and are just indicative.</i></p>	<p>to 1.877 to Dec 2010.</p> <p><u>www.interest.co.nz</u></p> <p><i>A rush of dairy property transactions in December has helped to lift the median farm sale price to the highest level of the year in the latest Real Estate Institute of New Zealand (REINZ) rural market statistics released today.</i></p> <p><i>Purchases of grazing and dairy support blocks were lower than last year, but Peter McDonald expects buyer interest to improve as a consequence of the upswing in the market for dairy farms.</i></p> <p><u>http://www.scoop.co.nz/stories/BU1101/S00238/december-dairy-farm-sales-revive-rural-property-market.htm</u></p> <p><i>This data shows that as dairy farming is experiencing a boom, grazing land that would have been suitable for sheep farming will be purchased and converted for use as dairy farms. This shifts the overall price of farmland upwards as reported. Also the farm cost index has shown an increase. The impact of this on production costs for sheep will be higher prices of lamb, as shown by the lamb prices rising from 412 to 639 c/kg.</i></p> <p><i>In conclusion, using the PPF and demand and supply models the implications for consumers and producers are likely to be ...</i></p> <p><i>The data above clearly supports this since ...</i></p> <p><i>The examples above relate to only part of what is required, and are just indicative.</i></p>
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Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the Achievement Standard.