

ST ANDREW'S JUNIOR COLLEGE Weighted Assessment 1 (WA 1) General Certificate of Education Advanced Level Higher 1

ECONOMICS

8843

Suggested Answer w Examiner's Comments

Suggested Answers

(a)(i)	With reference to Figure 1, describe the trend in the global price of honey from 2013 to 2019.				
	Answer:				
	General rising trend (1)				
	Examiners Comments:				
	SKIIIS: i No need to provide refinement to the trend, as there is only 1 mark				
	available for this question.				
(ii)	With reference to Extract 1 and using a demand and supply diagram account				
(")	for the general trend in the global price of honey. [4				
	Answer:				
	<u>1st part of the question:</u> Demand factor (1m)				
	Extract 1, para 1: "popular with people looking for healthier alternatives to cane				
	sugar and high-fructose corn syrup" \rightarrow taste and preference towards honey \rightarrow				
	global demand for noney increases \rightarrow demand curve for noney shifts to the right from D1 to D2				
	Or				
	Extract 1, para 1: "being used more as an ingredient in shampoos, moisturizers and other personal-care products that companies market as naturally made" \rightarrow if demand for personal care products that need honey to produce, derived demand for honey increases \rightarrow global demand for honey increases \rightarrow demand curve for honey shifts to the right from D1 to D2				
	Supply factor (1m) Extract 1, para 3: bee populations in several nations suffered severe declines in the decade because of colony collapse disorder, disease as well as pesticide usage. → reduce global supply of honey as bees are essential factors of production of honey, supply curve shifts left from S1 to S2				
	Price adjustment process (1m) Due to the increase in global demand for and decrease in global supply of honey,				
	\rightarrow there would be a shortage at the original price				
	\rightarrow as price start to increase, quantity demanded would fall while quantity				
	supply would increase				
	→ such upward pressure on prices would continue till the new equilibrium is				
	\rightarrow at the new equilibrium, the price of honey increased from P1 to p2				
	Diagram (1m)				

	Price P_2 P_1 P_1 Q_2 Q_3 Q_1 Q_2
	Examiners Comments:
	 Skills: Need to include the 0 (zero) at the origin of the diagram. Key words in price adjustment process were missing (see phrases in bold in answer above). Some scripts presented only one factor (either DD or SS factor) when there were two factors presented in extract 1. Some scripts presented two demand factors instead of one DD factor and one SS factors for a balanced answer. Students need to remember that they need to refer to the diagram drawn as they explain how the curves shifts.
	 i. Horizontal axis of graph ought <u>NOT</u> to be "Quantity of honey <u>demanded"</u>. ii. It would be good to develop a habit to contextualise the market as they draw the DD-SS diagram. For e.g. label the horizontal axis as "Quantity of honey" instead of "Quantity" iii. There are some students who failed to identify the shortage wrongly on their diagram. The shortage should be difference between the quantity demanded from the new demand curve and the quantity supplied from the new supply curve at the original price. o Students are advised not to identify the shortage on the diagram if they are not confident to label it in the first place.
(b)	With reference to Extract 2 and using a Production Possibility Curve (PPC), explain how the declining bee population would affect the production of honey and food crops. [3] Answer [3]



(c)(i)	Identify the economic relationship between cane sugar and honey. [1]				
	Answer:				
	Substitutes (1)				
	Even in and Open mental				
	Examiners Comments:				
	Contont				
	i Ouite a number of students identified that the relationship was				
	competitive in supply which is incorrect.				
(ii)	With reference to Figure 2, explain how this economic relationship accounts for the general trend in global prices of sugar during the period from 2013 to 2019. [3]				
	Answer: From Figure 2, global prices of sugar generally fell from 2013 to 2019. [1]				
	Since sugar and honey are substitutes as they both satisfy similar wants, consumers might opt for healthier alternative which is honey and change their taste and preference against sugar. This would cause the demand for sugar to fall. [1]				
	Due to a fall in demand for sugar, there would be a fall in price of sugar [1].				
	Examiners Comments:				
	Oracterat				
	i. Several students showed confusion between quantity demanded and				
	 Students ought to analyse the effects of the rise in demand of honey and how this affected the demand and price for sugar. 				
	iii. Students should note that the starting point of analysis should not be price of honey that led to the fall in price of honey.				
	 Instead the starting point should be change in taste and preference towards honey which led to an increase in demand for honey but a fall in in demand for sugar. 				
(d)	Explain the factors a rational honey manufacturer should consider when making his decision on whether to expand his business and comment on whether he should do so. [8]				
	Answer:				
	<u>1st part of the answer [6m]</u>				
	Objective of noney manufacturer → maximise profits (1m)				
	The factors that a rational honey manufacturer should consider would be information, constraints, marginal benefit (i.e. marginal revenue) and marginal cost of producing honey.				
	Marginal Benefits (MB): (1m - identify + 1m - explain)				

	• Refers to the marginal revenue (MR) that could be earned from selling honey.
Ма	 rginal Costs (MC): (1m - identify + 1m - explain) Refers to the additional cost of producing honey which includes the additional cost of setting up a factory, cost of beekeeping which is time consuming, maintenance cost of bee colonies, labour cost, rental cost of land etc, The honey manufacturer would also incur opportunity cost as the given amount of labour and land (i.e. resources) that is allocated to produce more honey could have been allocated to produce the next best alternative for example to produce other good for eg fruits.
Co Fro as	nstraints om Extract 1, there is a constraint of finding suitable areas to house beehives there isn't much wild forage on which bees can hunt for pollen.
Inf e Infe	 ormation ormation may include researching for the location to expand his honey production finding the technology needed to help ensure efficient beekeeping the prediction of how marginal benefit, marginal cost as well as how constraints may be changing in the future.
2 nd The equ	part of the answer - Comment [2m] e honey manufacturer would expand his business if MR is greater than or ual to MC <i>[weighing to make a stand]</i>
Re In t inc MR	asons for the stand this case since MR from selling honey seems to be increasing due to an rease in demand for honey as stated in Extract 1. Therefore, it is likely that R>MC which might lead to the decision of expanding his business.
OR	2
Alt The MR	ernative answer for the comment part e honey manufacturer would not expand his business if MC is greater than R [weighing to make a stand]
Re	asons for the stand
In t mig hor whi	this case, marginal cost of expanding business might be increasing as it ght be getting more challenging to maintain bee colonies to ensure quality ney production, as stated in Extract 1. Therefore, it is likely that MR <mc ich might lead to the decision of <u>not</u>expanding his business.</mc
Exa	aminers Comments:

<u>Skills</u> i. ii.	 Write in paragraphs. More sign-posting would be useful. For example: The objective of the honey manufacturer is The marginal benefit the honey manufacturer can gain is One constraint the honey manufacturer needs to consider is 			
Contont				
i.	Many answers did not talk about the other factors other than MB and MC from the decision-making framework. Consequently, they fail to score the mark allocated for other factors.			
ii.	Many answers also did not mention the objective of the economic agent. Without such a 'goal' in mind, what then follows could be meaningless.			
iii.	Need to substantiate stand taken when responding to "Comment" part of the question.			
iv.	A handful of students cannot differentiate the concept of revenue and profits. Hence, marginal revenue is not the same marginal profits.			