

Most points on this exam sit on a graph, and most lost points are a missing label or a curve shifted where it should have been moved along. Everything below is a rule the readers apply.

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The graphs – where most points are won and lost

✗ Drawing a graph with unlabelled axes.

✓ **Label both axes, every curve, and the equilibrium point, using the standard abbreviations.**

The guidelines award graph points for specific labelled features; an unlabelled curve earns nothing.

SG 3 years

✗ Drawing the shift and not marking the new equilibrium.

✓ **Show the shift AND the resulting change, with arrows and new labels.**

The second point is almost always for the RESULT of the shift, stated on the graph.

SG 3 years

✗ Drawing a long-run curve that slopes.

✓ **A long-run aggregate supply curve, and a long-run Phillips curve, are VERTICAL.**

The guidelines state the curve must be vertical, at full-employment output or the natural rate of unemployment.

SG 3 years

✗ Placing the long-run curve wherever the new equilibrium falls.

✓ **Put it at full-employment output, and label that output – the gap between it and the current equilibrium is the point.**

The guidelines specify the curve's position relative to the current output, and the label Y_F .

SG 3 years

✗ Answering a graph question in prose alone.

✓ **Draw it. Then say in words what the graph shows.**

The drawing and the explanation are separately scored, and a description cannot earn the graph points.

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SG 2 years

✗ Writing 'it increases' with no direction on the graph.

✓ **Say which curve moves, which way, and what happens to price and quantity.**

Each of those is a component the readers look for by name.

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SG 3 years

■ Where a question says 'using a correctly labeled graph', the labels are part of the requirement – not decoration.

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SG 3 years

1 · Basic Economic Concepts

✗ Explaining opportunity cost as the money spent.

✓ **It is the value of the NEXT BEST alternative given up.**

The definition is the basis of every trade-off question in the course.

CED 1.2

✗ Reading comparative advantage off the absolute quantities.

✓ **Compare OPPORTUNITY COSTS – who gives up less of the other good.**

A country can hold an absolute advantage in both goods and a comparative advantage in only one.

CED 1.5

2 · Supply and Demand

✗ Shifting the demand curve when the price of the good itself changes.

✓ **A price change moves you ALONG the curve; only the other determinants shift it.**

The distinction decides the direction of every subsequent effect.

CED 2.2

✗ Saying a price ceiling raises the price.

✓ **A binding ceiling sits BELOW equilibrium and creates a shortage.**

The position relative to equilibrium is what makes it binding, and the shortage is the consequence scored.

CED 2.9

✗ Describing elasticity as ‘how much demand changes’.

✓ **It is the PERCENTAGE change in quantity over the percentage change in price.**

The ratio of percentages is what makes the measure unit-free.

CED 2.5

3 · Production, Cost, and the Perfect Competition Model

✗ Including fixed costs in a shut-down decision.

✓ **Shut down when price falls below average VARIABLE cost – fixed costs are sunk in the short run.**

Fixed costs are paid either way, which is why they do not enter the decision.

CED 3.6

✗ Saying marginal cost falls as output rises because of economies of scale.

✓ **Economies of scale are a LONG-RUN idea; the short-run marginal cost rises from diminishing returns.**

Mixing the two time frames produces the wrong curve shape.

CED 3.4

4 · Imperfect Competition

✗ Saying a perfectly competitive firm sets its price.

✓ **It is a price TAKER: its demand curve is horizontal at the market price.**

The horizontal demand curve is what makes $P = MR$, which the rest of the analysis depends on.

CED 4.1

✗ Drawing a monopoly with marginal revenue equal to price.

✓ **For a monopoly MR lies BELOW the demand curve, and profit is maximised where $MR = MC$.**

The gap between them is where the deadweight loss comes from.

MR

CED 4.2

✗ Naming the profit-maximising output as where profit per unit is largest.

✓ **It is where $MR = MC$, whatever the per-unit profit is there.**

The two coincide only by accident, and the rule is what the course teaches.

$MR = MC$

CED 3.7

5 · Factor Markets

✗ Hiring labour up to where the wage is lowest.

✓ **Hire until the marginal revenue product equals the wage.**

The condition mirrors $MR = MC$ in the product market.

$MRP =$

CED 5.2

6 · Market Failure and the Role of Government

✗ Saying a negative externality means the market fails to produce enough.

✓ **It produces TOO MUCH, because the private cost is below the social cost.**

The direction follows from which cost curve is understated, and reversing it inverts the policy.

CED 6.1

✗ Calling a good public because the government provides it.

✓ **A public good is non-rival AND non-excludable, whoever provides it.**

Provision and the good's properties are independent, and the definition is what is examined.

CED 6.2

■ Where a question chains parts, carry your own earlier answer forward. Later points are awarded on consistency with it.

SG 2 years

1 · Basic Economic Concepts

✗ Saying a point inside the production possibilities curve is unattainable.

✓ **It is attainable but inefficient; points outside it are unattainable with current resources.**

Inside, on and outside each mean something specific, and the question names one.

CED 1.3

✗ Ignoring sunk costs in a decision only after mentioning them.

✓ **A cost already incurred and unrecoverable is irrelevant to what you should do next.**

Marginal analysis compares the additional benefit with the additional cost, and only those.

CED 1.6

2 · Supply and Demand

✗ Saying a tax on producers raises the price by the full amount of the tax.

✓ **The burden is shared, and the share depends on the relative elasticities.**

The incidence result is what the elasticity content is for.

CED 2.10

✗ Describing two goods as substitutes because they are similar.

✓ **Test it with cross-price elasticity: substitutes have a positive value, complements a negative one.**

The sign is the definition, and the question usually supplies the data to compute it.

CED 2.6

✗ Saying consumer surplus is the amount consumers spend.

✓ **It is what they were WILLING to pay minus what they paid – the area under demand and above price.**

The area is what changes when a policy shifts the equilibrium.

CED 2.8

3 · Production, Cost, and the Perfect Competition Model

✗ Saying diminishing returns means output falls.

✓ **Output still rises, but by LESS with each extra unit of the variable input.**

The distinction between total and marginal product is the content of the topic.

CED 3.3

✗ Calculating economic profit as revenue minus explicit costs.

✓ **Subtract implicit costs too – the value of the owner's next best alternative.**

Accounting profit and economic profit differ by exactly that, and zero economic profit is the long-run result.

CED 3.2

4 · Imperfect Competition

✗ Saying a monopoly can charge any price it likes.

✓ **It is constrained by the demand curve: a higher price always means a lower quantity.**

The constraint is why the profit-maximising point is a specific one.

CED 4.2

✗ Analysing an oligopoly without considering the rival's response.

✓ **Use the payoff matrix, and check each firm's best response to each choice of the other.**

Interdependence is the defining feature of the market structure.

CED 4.5

✗ Saying a firm in monopolistic competition earns profit in the long run.

✓ **Entry drives economic profit to zero, but the firm still produces below minimum average cost.**

Both halves are the long-run result, and questions usually ask for the second.

CED 4.4

5 · Factor Markets

✗ Saying a minimum wage always raises unemployment without checking where it sits.

✓ **Only a BINDING minimum – above the equilibrium wage – creates a surplus of labour.**

The position relative to equilibrium decides whether anything happens at all.

CED 5.3

6 · Market Failure and the Role of Government

✗ Saying a subsidy corrects a negative externality.

✓ **A negative externality needs a tax or a limit; a subsidy corrects a POSITIVE one.**

The direction of the correction follows from which cost or benefit is understated.

CED 6.1

✗ Describing the deadweight loss as lost revenue.

✓ **It is the surplus destroyed – trades that would have benefited both sides and no longer happen.**

Revenue is transferred; the deadweight loss is gone from the economy.

CED 6.1