



Assessment Information

Subject Code:	BUS104
Subject Name:	Economics
Assessment Title:	Group Assignment
Weighting:	30%
Total Marks:	50
Due Date:	Friday 5pm AEST Week 9 on the portal

Instructions

- Do this assignment in a group of two or three students.
- This Assignment covers Topics 4-8
- You may need to do research of your own as well as reading/interpreting the articles and graphs provided. Marks are awarded for this.
- Address each question directly. You do not need to present answers in essay or report form.
- Make sure you explain your diagrams and answer all parts of each question. You do not need to write a huge amount for each question. The word limit is around 800-1500 words
- **Reference** your answers if you are using information from another source using in-text referencing and include a reference list at the end of the assignment. You do not need to reference lectures and tutorials.
 - 5 marks are awarded for correct use of in text referencing and a reference list at the end of the assignment.
 - Please consult “Student Learning Resources” uploaded on Moodle with the assignment for assistance with referencing and **plagiarism**.
 - **The assignment will go through Turnitin and any plagiarism will be traced. As a result you can get 0 for your assignment.**
 - Penalties for plagiarism are serious. Please see p.4 of Student Misconduct Policy for a definition of plagiarism and the consequences:
<http://kbs.edu.au/CurrentStudents/SchoolPolicies/InformationforallStudents/StudentMisconductPolicy/tabid/445/Default.aspx>

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- Doing this assignment will be good preparation for the exam.
- ****Please submit your assignment on the portal as a word document (NOT A PDF) and insert any pictures/ diagrams that you draw as pictures into the word document. You can insert pictures by:**
 - Drawing them in programs like “paint” and pasting it into the document
 - Drawing them by hand and scanning them in and then pasting them as a picture into the word document
 - **DO NOT** simply copy pictures of graphs from the internet. You have to draw them yourself

Part 1: Elasticity [25 marks]

Read Source 1 and 2 and answer the following questions:

Source 1- Opinion Piece

Opinion Piece: Best Potential Returns from Oil

Written by [Christian DeHaemer](#)

Posted October 5, 2015 at 5:23PM

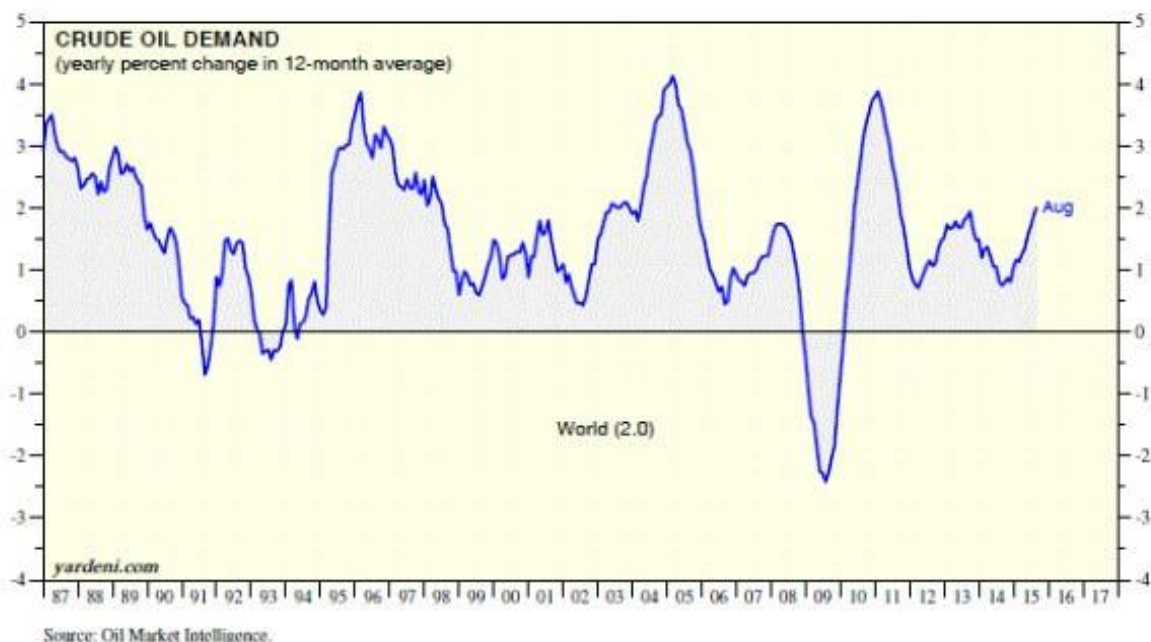
Below is the two-year oil price chart. Prices have fallen significantly.



The good news, of course, is that due to the lower prices demand is up.

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Commodities [like crude oil] are the ultimate definer of price elasticity of demand. When stuff is cheap, you use a lot more of it. When it is expensive, you use a lot less. Global oil demand rose 2.0% year over year to a new record high last month. That's the best growth rate since 2011.

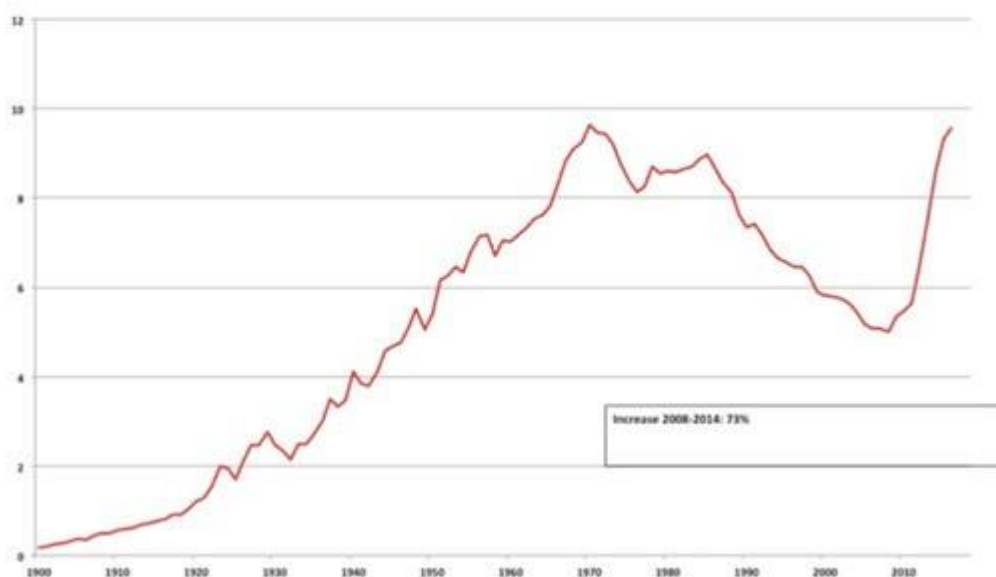
Source: <http://www.energyandcapital.com/articles/best-potential-returns-from-oil/5131>

Source 2- New technology

The new oil revolutions

Beginning less than a decade ago, the shale oil revolution has turned the long run declining oil production trends in the United States into rises of 73% between 2008 and 2014. [Shale oil extraction is a method of unconventional oil production which converts rock into shale oil which is then used or purified by adding hydrogen and removing impurities]. An exceedingly high rate of productivity improvements in this relatively new industry promises to strengthen the competitiveness of shale output even further.

U.S. Crude Oil Production 1900-2015, millions of barrels per day



Source: The Conversation

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1. What has happened to the price of crude oil in 2015? What has happened to the demand for crude oil in 2015? Is there an economic theory that supports this relationship? Support your answer with a diagram. (4 marks)
2. In the last 6 months of 2015 oil prices fell by 30% and oil demand has risen by 2%. Based on this data what type of price elasticity does oil demand have? (5 marks)
3. Do you agree with the opinion expressed in Source 1 on the price elasticity of demand? Why or why not? (6 marks)
4. Would you advise an oil producer to increase oil prices or decrease oil prices based on your analysis in previous questions? Explain and justify your answer with a diagram. (Hint: Think of Topic 4 tests) (5 marks)
5. Based on Source 2 how would the price elasticity of supply have changed since the introduction of shale oil production in 2008? Support your answer with economic theory. (5 marks)

Part 2: Market Forms and Production Costs [35 marks]

Read Source 1 and 2 and answer the following questions:

Source 1- Supermarkets Price War

Fruit, veg prices slashed in supermarket price war

Fruit and vegetables have just become the latest battleground in the discount war between supermarket giants Coles and Woolworths. Coles' bid to get a bigger share of Australia's grocery market kicked off today with a flurry of ads spruiking discounts on fresh produce.

The latest round of cuts comes on top of Coles and Woolworths scrambling to undercut each other on items such as bread and milk. But while lower prices may be good news for consumers, farmers' groups are renewing warnings that the price war risks driving growers out of business. Not all growers are happy. They say the supermarket price wars are making it tough for them to stay in business. William Churchill, spokesman for peak body Ausveg, says dropping prices at Coles places pressure on the rest of the industry.

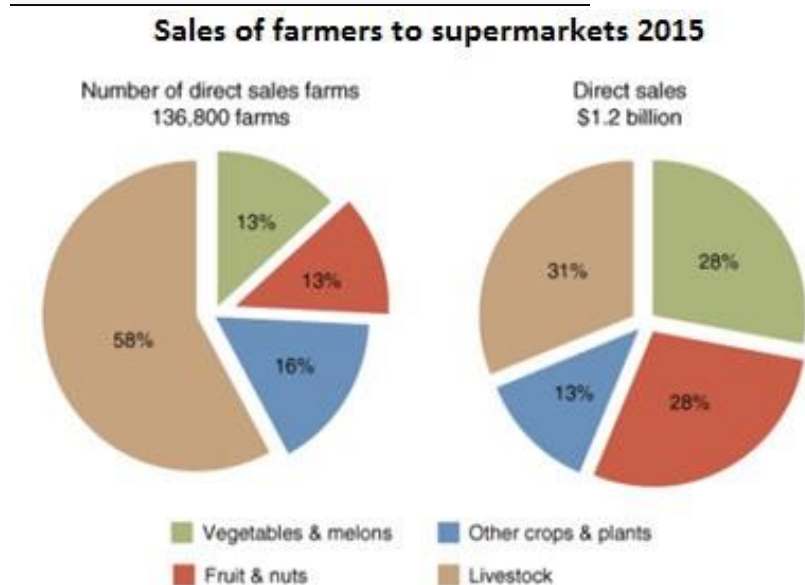
"Ausveg's main concern is, are these discounts for Coles growers sustainable? And what's this going to do to the rest of the industry as growers and farmers who supply to independent retailers, Woolworths, or even just the markets, start to see their sales volumes through those outlets dry up as people start to shift to Coles for these prices," he said.

"We're seeing some substantial heartache happening in the milk industry, we're seeing growers producing milk for less money and they're having to work more for that," he said.

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Source 2- Supporting Diagrams



1. What type of market structure is the supermarket industry? Explain why with reference to Sources 1 and 2 and economic theory. (5 marks)
2. Is it in the interests of Woolworths and Coles to have a price discount war? Why? What would be a better strategy for Coles and Woolworths to take in regards to pricing? (Refer to the kinked demand curve and game theory in your answer. (8 marks)
3. What type of market structure is the market for vegetables provided by farmers? Explain why with reference to Sources 1 and 2 and economic theory. (5 marks)
4. How would falling prices for their products due to the price war affect the individual vegetable producer? Demonstrate your answer with reference to a diagram showing only an individual farmer's cost curves. Would small farmers be forced to leave the market in the long-run? Why? (10 marks)

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5. If individual farmers made significant improvements in their technologies could they overcome the price rises and stay in business in the long-run? Support your answer by referring/adding to your diagram in 4 and thinking about costs. (7 marks)

Part 3: Referencing [5 marks]

5 Marks will be awarded for correct referencing (see assignment instructions at beginning of document)

Total Marks- 65

Assessment Marking Rubric

Criteria	HD (High Distinction) 85%-100%	DN (Distinction) 75%-84%	CR (Credit) 74%-65%	P (Pass) 50%- 64%	NN (Fail) 0%-49%	Score
Knowledge, comprehension and application	In addressing the economic issues, the assignment clearly identifies, defines and critically applies relevant theories and concepts sourced from more than 3 quality sources. Correct graphs and charts are applied and correct analysis is undertaken with reference to the graphs/charts.	In addressing the economic issues in the case study, the assignment ¹ clearly identifies, defines and applies relevant theories and concepts sourced from more than 3 quality sources. Correct graphs and charts are used, but minimal explanations are given with reference to the charts.	In responding to the economic issues in the case study, the assignment defines and applies relevant theories and concepts sourced from at least 3 sources.	In responding to the economic issues in the case study, the assignment identifies and defines relevant theories and concepts with little application in response to the case questions. At least 3 sources used in assignment .	Key concepts not identified or defined. No, or unclear, application of concepts to the case study. Less than 3 sources used in assignment .	
Analysis, evaluation and judgment	Analysis and evaluation supported by comprehensive discussion and argument and leading to a supported judgment which addresses the case study questions. Student is able to link analysis with the data - making informed judgment by combining data and theory in coming up with their conclusions. Copious evidence in the work of critical reasoning and synthesis.	Analysis and evaluation supported by comprehensive discussion and argument and leading to a clear judgment which addresses the case study questions. Copious evidence in the work of critical reasoning.	Analysis and evaluation supported by broad discussion and argument. Much evidence in the work of critical reasoning.	Analysis and argument supported in part by some discussion and argument. Some evidence in the work of critical reasoning.	Analysis and argument not apparent. Lacks argument and discussion. Little or no evidence in the work of critical reasoning.	

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Conclusion and written assignment	<p>Assignment written in a cohesive manner, by addressing questions directly and comprehensively.</p> <p>Sound and convincing conclusions and judgements drawn from the discussion.</p> <p>Appropriate citation and references given to support the discussion to help draw a sound wellargued conclusion.</p> <p>Assignment written within the word limits.</p>	<p>Assignment written in a cohesive manner, by addressing questions directly.</p> <p>Sound and convincing conclusions and judgements drawn from the discussion.</p> <p>Appropriate citation and references given to support the discussion to help draw a sound conclusion.</p> <p>Assignment written within the word limits.</p>	<p>Assignment written in a somewhat cohesive manner, by somewhat addressing the questions.</p> <p>Sound conclusion drawn from the discussion.</p> <p>Appropriate citation and references given to support the discussion to help draw a conclusion.</p> <p>Assignment written within the word limits.</p>	<p>Assignment written with structure but reads awkwardly.</p> <p>Assignment question answers draw a conclusion but not necessarily drawn from the discussion.</p> <p>Some missing references and citations.</p> <p>Assignment written exceeding the word limits.</p>	<p>Assignment reads piecemeal with no proper structure given.</p> <p>No or limited conclusion draw from the discussion.</p> <p>Missing references and citations.</p> <p>No attempts to stick to the word limits.</p>	
Comments:						Total score

1

Assignment Mark/Grade:	
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