

Public Assessment

HKDSE Econ 2020 live paper

Nov 2020



香港考試及評核局
Hong Kong
Examinations and
Assessment Authority

Live papers

- Paper 1:
- On compulsory part of the curriculum
- Answer all questions
- 45 multiple choice questions
- Account for 30% of the subject marks
- 60 minutes

2021: unchanged



Live papers

- Paper 2 section A:
- On compulsory part of the curriculum
- Short questions
- All questions are compulsory
- 8 short questions
- 44 marks
- Account for 26% of the subject marks
 - 2021 total mark for section A: 44 marks (30% of the subject marks)



Live papers

- Paper 2 section B:
- On compulsory part of the curriculum
- Structured/essay-type/ questions
- All questions are compulsory
- 3 structured questions (with 1 DRQ)
- 60 marks
- Account for 35% of the subject marks
 - 2021 total mark for section B: 60 marks (40% of the subject marks)



Live papers

- 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
- Total time is 2 hours 30 mins



2021: section C cancelled

Total exam time: 2 hours 30 mins

Summary of 2021 paper

- Paper 1 unchanged:
45 MCQs, 60 mins
Account for 30% of subject mark
- Paper 2 exam time unchanged:
2 hour 30 mins
Paper 2 mark allocation
Section A: 44 marks (30% of subject mark)
Section B: 60 marks (40% of subject mark)
Section C: cancelled
Total marks of paper 2: 104 marks



Paper 1

- Number sat: 12039
- Overall mean score of 2020:
out of 45 questions
= 61.07% (27.52)
- Overall mean score of 2019
= 58.5% (26.31)



Paper 1 Q5

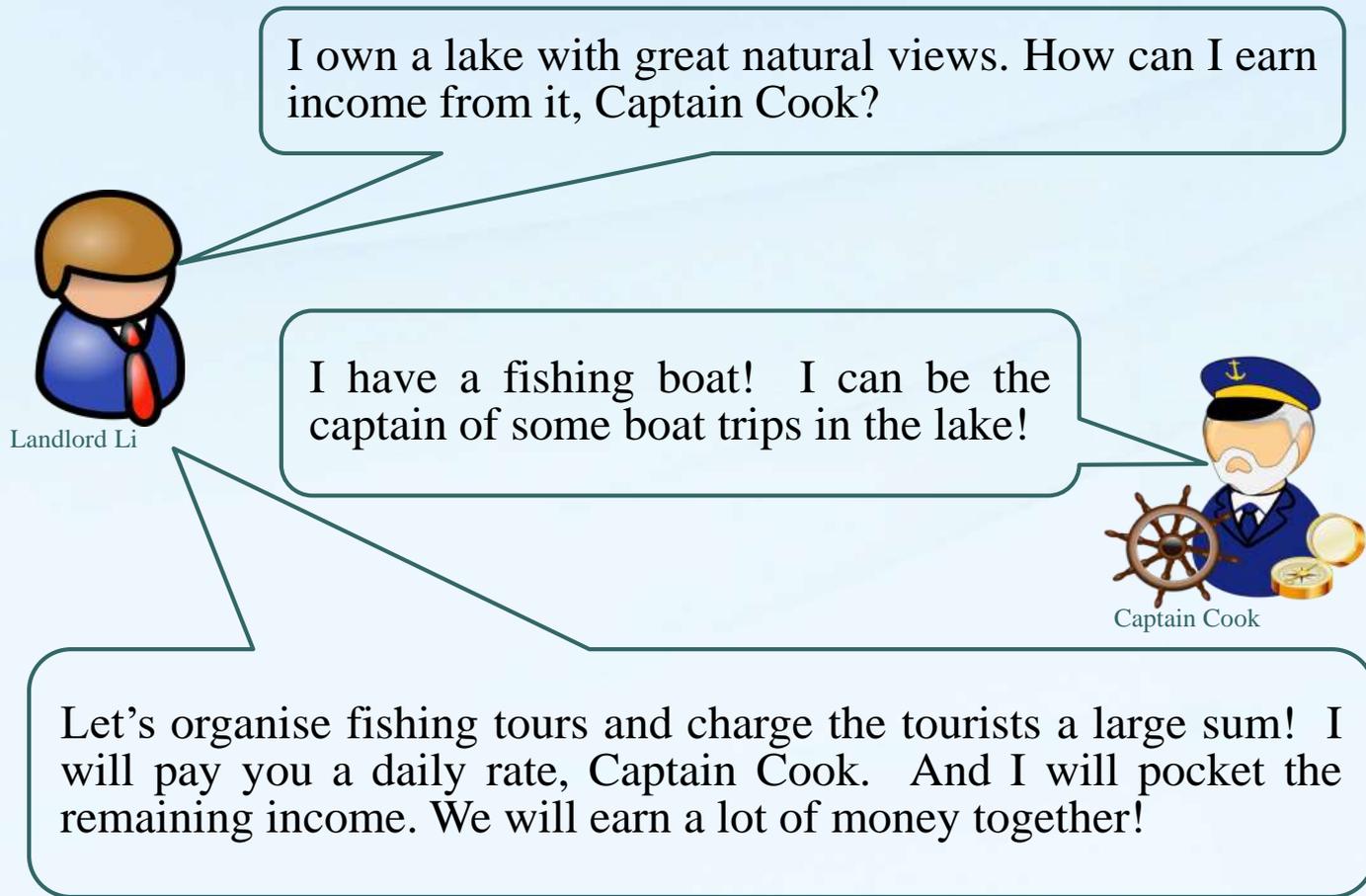
If a public limited company in Hong Kong gets listed on the stock exchange,

- A. it will face a higher profits tax rate. (7%)
- B. it can no longer keep its accounting information confidential. (42%)
- C. its shareholders will enjoy higher liquidity of their assets. (40%)**
- D. it will enjoy economies of scale. (11%)



Paper 1 Q6

Refer to the following dialogue.



Paper 1 Q6

Given the return of land is rent, the return of labour is wage, the return of capital is interest while the return of entrepreneur is profit. The income earned by Captain Cook consists of _____ while the remaining income earned by Landlord Li consists of _____.

- A. wage.....profit (51%)
- B. interestrent and profit (3%)
- C. wage and interest.....rent (4%)
- D. wage and interestrent and profit (42%)



Paper 1 Q25

Which of the following should be deducted from the gross domestic product of Hong Kong to calculate the gross national income of Hong Kong?

- A. the fee paid by a Hong Kong football club to a Japanese football team for an exhibition match in Hong Kong (53%)
- B. the rent earned by a Hong Kong property developer from its residential property in Japan (10%)
- C. the capital gain earned by a Japanese insurance corporation from its financial investment in Hong Kong (27%)
- D. the dividend paid by a listed company in Japan to a Hong Kong resident (10%)

Most capable candidates managed to pick the key.



Paper 1 Q33

Which of the following will increase the actual banking multiplier?

- A. The public tends to hold more cash. (22%)
- B. The use of credit card becomes more popular. (36%)**
- C. The central bank increases the required reserve ratio(18%)
- D. The interest rate of bank deposit decreases. (24%)

Most capable candidates managed to pick the key.

Two forces to increase the actual banking multiplier:

1. Less cash leakage (by public)
2. Less excess reserves (by banks)



Paper 1 Comments

o Time: 45 MCQs in 60 mins

→ Sufficient time

Candidates are weaker in

- Data interpretation ←
- Application of formula for calculation
- Integration of topics
- Macroeconomics
- Social/economic issues
- Number sense



Paper 2

- Number sat : 12023
Overall mean score in 2020:
59.56%
- Overall mean score in 2019:
57.1%
- Overall mean score in 2018:
56.9 %



Paper 2 Marking

- Onscreen Marking System (OSM)
- Scanned images
- Markers mark in Assessment Centres
- Section A1, A2, B1, B2, C1, C2
- Each marker marking 16-30 marks
→ 300 to 600 scripts
- Increase reliability



Special thanks to markers of this year!

Paper 2

- Welcome the Assistant Examiners to comment on candidates' performance by Section:
- Section A1: (Q1, 3, 5, 7)
- Section A2: (Q2, 4, 6, 8)
- Section B1: (Q9, 10)
- Section B2: (Q11)
- Section C: (Q12, 13)



Paper 2 Section A1 (Q1, 3, 5, 7)

Q1

A free good must be free of charge. Do you agree? Explain your answer. (3 marks)

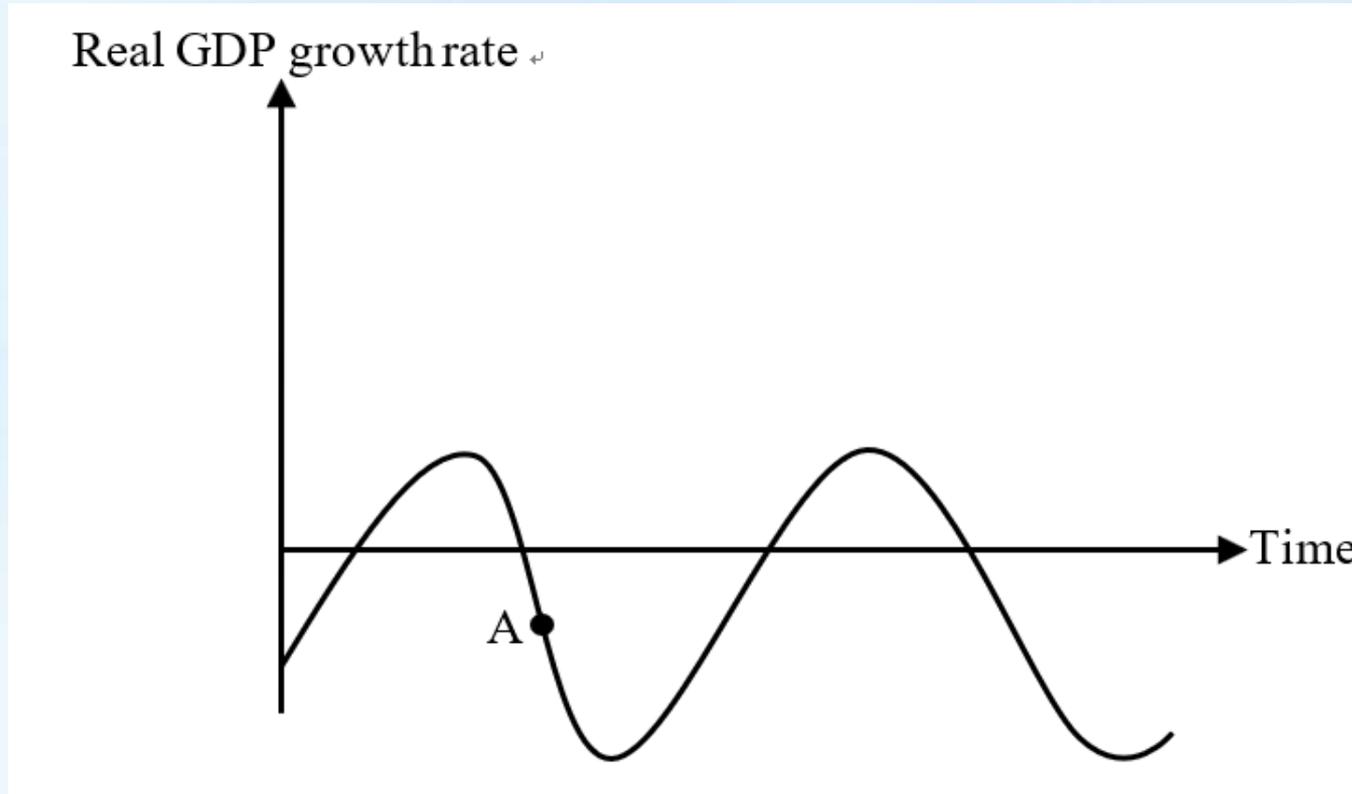
Q3

Below are the gross domestic product (GDP) data of a country.

- (a) Identify the phase of business cycle which point A is in. (1 mark)
- (b) Apart from increasing unemployment rate, list TWO general economic phenomena which occur at point A. (2 marks)
- (c) State TWO losses to society caused by unemployment. (2 marks)



Paper 2 Section A1 (Q1, 3, 5, 7)



Paper 2 Section A1 (Q1, 3, 5, 7)

Q5

(a) What is the opportunity cost of holding money? Explain.
(2 marks)

(b) Peter owes Mary \$100 and he has no cash in his wallet. He suggests repaying Mary by a cash coupon (with a face value of \$100) issued by a supermarket chain. Give TWO economic reasons to explain why Mary would refuse to accept the cash coupon as a repayment of Peter's debt.
(4 marks)



Paper 2 Section A1 (Q1, 3, 5, 7)

Q7

Suppose the outputs per unit of resources of Country A and Country B are as follows:

	Toys (units)		Cars (units)
Country A	10	OR	10
Country B	20	OR	10

- (a) Which good would Country B export according to its comparative advantage? Explain. (3 marks)
- (b) Suppose Country A and Country B trade at an exchange ratio of 5 units of toys to 4 units of cars. A transportation cost of 0.2 units of cars is required to exchange for 1 unit of toys and the cost is equally shared by both countries. Calculate the gain per unit of export of Country B. Show your workings. (3 marks)

Paper 2 Section A1 Report

Q.	Highlight of the comments
1	<ul style="list-style-type: none">• Just recited the definition of free good without relating their arguments to the question
3b	<ul style="list-style-type: none">• Failed to read the question carefully and included 'increase in unemployment rate' in their answers
3c	<ul style="list-style-type: none">• Wrongly regarded an increase in welfare payment as a loss to society
5a	<ul style="list-style-type: none">• Only stated the definition of opportunity cost without elaborating on the kind of investment return people have to give up• Simply put down the term 'interest' without explanation

Paper 2 Section A1 Report

Q.	Highlight of the comments
5b	<ul style="list-style-type: none">Failed to use the precise terms in money and banking in the answer (general acceptability, divisibility, durability, medium of exchange, and store of value)
7a	<ul style="list-style-type: none">Mistakenly compared the unit cost of cars with that of toys in a given countryMissed out the unit in their calculationsFailed to state explicitly that country B enjoys comparative advantage because it has a lower opportunity cost in producing toys than country A
7b	<ul style="list-style-type: none">Overlooked the keywords 'the cost is equally shared by both countries' in the question

Paper 2 Section A2 (Q2, 4, 6, 8)

Q2

A chain restaurant providing Chinese cuisine set up a cake shop.

- (a) Explain which type of expansion this was. (2 marks)
- (b) List TWO possible motives for the above expansion. (2 marks)
- (c) After the opening of 10 more restaurants, the firm found that its average cost decreased. State TWO possible reasons for this. (2 marks)



Paper 2 Section A2 (Q2, 4, 6, 8)

Q4

Study the following information of an economy.

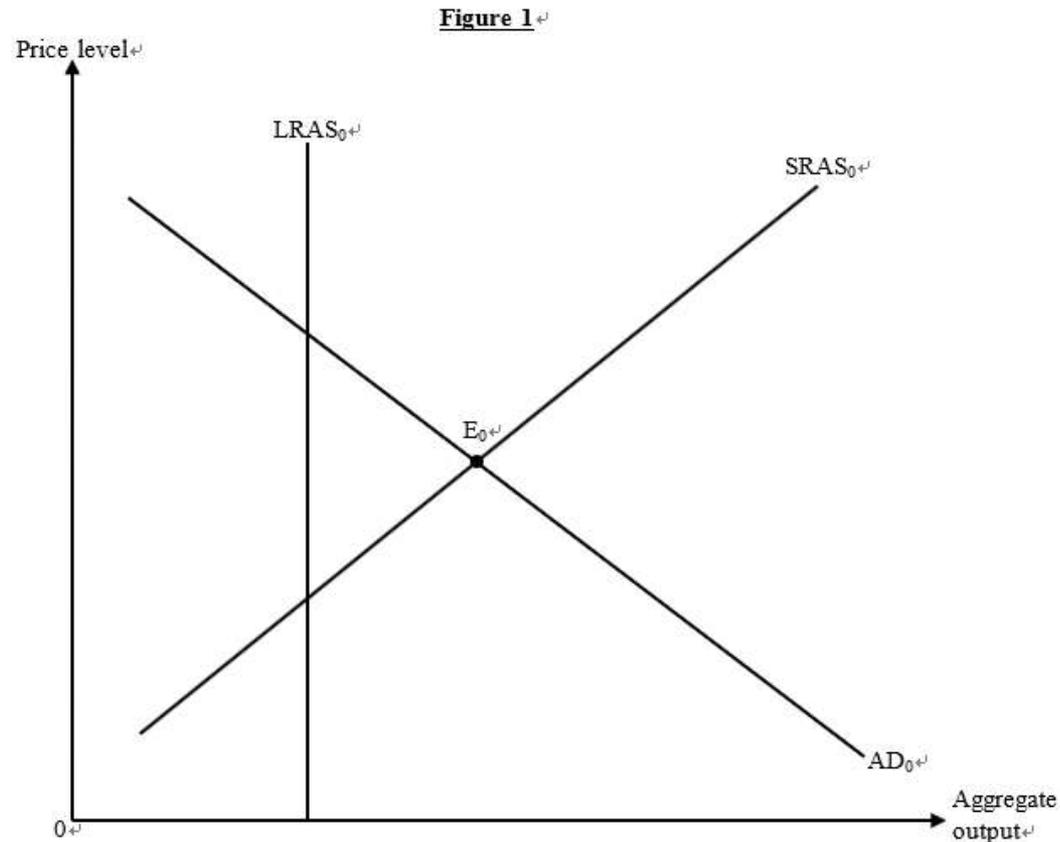
Year	Consumer price index (CPI)
2018	110
2019	117

- (a) Calculate the inflation rate in 2019. (1 marks)
- (b) Explain ONE difference between using CPI and GDP deflator to measure the change in the price level. (2 marks)
- (c) 'The continuous open market purchase of government bonds by the central bank is the cause of inflation in the economy.' Justify the statement with reference to the classical quantity theory of money. (4 marks)

Paper 2 Section A2 (Q2, 4, 6, 8)

Q6

Refer to Figure 1. Suppose an economy initially operates at E_0 . With the aid of Figure 1, explain how market forces can restore the aggregate output level to the full-employment output level in the long run. (5 marks)



Paper 2 Section A2 (Q2, 4, 6, 8)

Q8

Assets (\$million)		Liabilities (\$million)	
Reserves	1000	Deposits	4000
Loans	3000		

Study the above balance sheet of the banking system in Country A. Suppose the public always hold \$800 million cash and the banking system does not hold excess reserves.

- (a) Find the monetary base and money supply in Country A. (2 marks)
- (b) Suppose firms withdraw \$700 million from the banking system and remit the whole amount overseas.
- (i) Find the change in monetary base in Country A. (1 mark)
- (ii) Calculate the maximum possible change in money supply in Country A. Show your workings. (3 marks)

Paper 2 Section A2 (Report)

2a	<ul style="list-style-type: none">Failed to give a proper explanation for the type of expansion they named
2b	<ul style="list-style-type: none">Wrongly listed some motives which did not suit the expansion in this case, e.g., increasing market share
2c	<ul style="list-style-type: none">Simply listed additional motives behind the expansion without providing reasons for the declining average costMistook the question as asking about increasing average cost
4b	<ul style="list-style-type: none">Merely stated one feature of CPI and another feature of GDP deflator without pointing out the difference

Paper 2 Section A2 (Report)

- | | |
|----|--|
| 4c | <ul style="list-style-type: none">• Failed to define the variables M, V, P, and Y• Failed to realise that classical QTM assumes that V and Y are constant• Failed to mention that inflation is a continuous and sustained increase in the price level• Mistook that open market purchase of government bonds would result in a fall in the money supply |
| 6 | <ul style="list-style-type: none">• Failed to realise that the market adjustment operates via a leftward shift in the SRAS curve to restore output to its full-employment level• Failed to provide the reason behind the SRAS adjustment, i.e., a rise in production cost due to excess demand in the factor market. |

Paper 2 Section A2 (Report)

- 8b(ii)
- Neglected the word 'change' and calculating only the new level of money supply
 - Failed to state verbally that there was a 'drop' in money supply OR failed to give a 'negative' figure as their numerical answer
 - Omitted the unit (i.e., \$ million) in their answers



Paper 2 Section B1 (Q9,10)

Q9

Ocean Park and Hong Kong Disneyland are the two large theme parks in Hong Kong.

(a) What is the market structure of the theme park industry in Hong Kong? List TWO features of this market structure. (3 marks)

The first hotel in Ocean Park was launched in 2018 while the second hotel and the water park were scheduled to be opened before 2021. It is expected that such infrastructure development can attract more tourists to stay longer in Hong Kong.

(b) Other things being equal, what will be the effects of the infrastructure development on Hong Kong's aggregate demand and long run aggregate supply in the future? How about on aggregate output? Explain your answers with the aid of a diagram. (8 marks)



Paper 2 Section B1 (Q9,10)

(c) Instead of obtaining bank loans to finance the infrastructure development, it is suggested that Ocean Park can be listed in the stock market and issue shares to raise capital. State TWO advantages of issuing shares over obtaining loans from banks for raising capital. (2 marks)

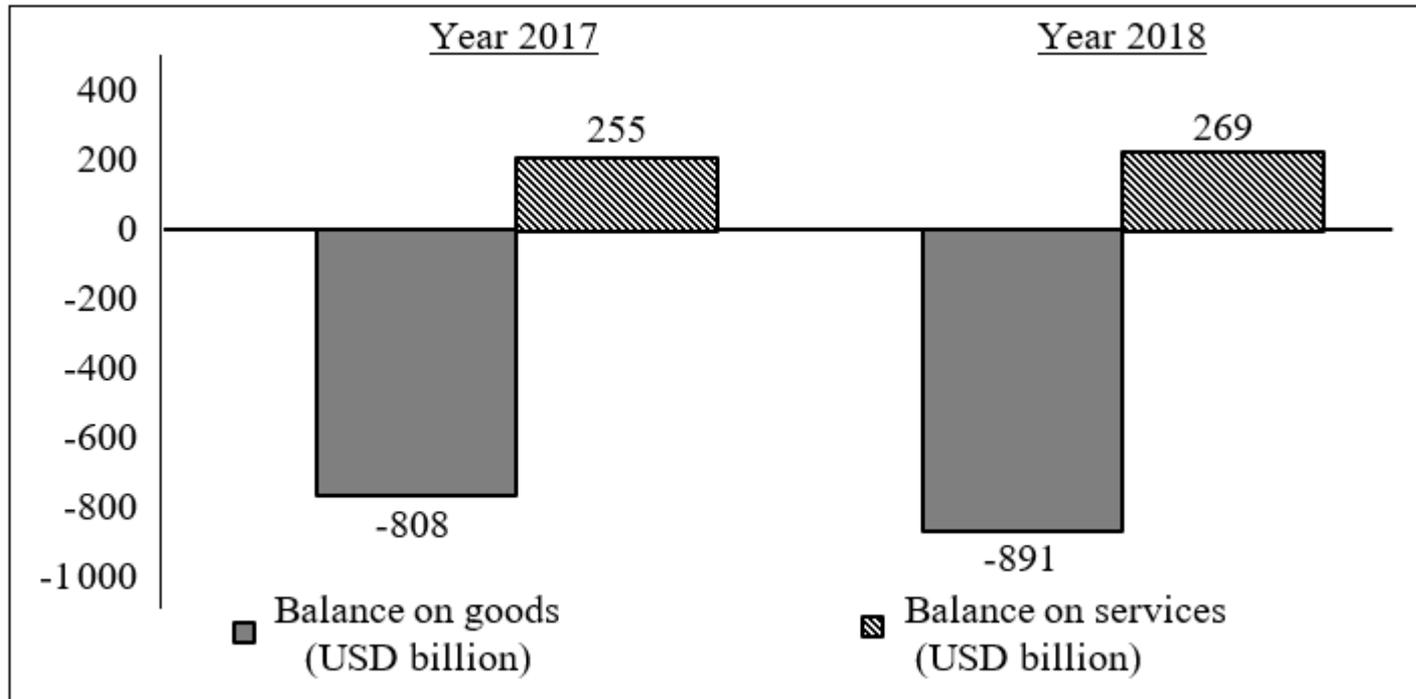
(d) The contribution of the infrastructure development of Ocean Park to Hong Kong's GDP in 2019 could be smaller than the total amount invested in the two hotels and the water park. Explain why the statement may be correct with TWO reasons. (4 marks)



Paper 2 Section B1 (Q9, 10)

Q10

The following source shows the current account data of the US in 2017 and 2018



Paper 2 Section B1 (Q9,10)

(a)(i) Describe the changes of current account data of the US in the above source. (2 marks)

(ii) 'Based on the above source, we can conclude that the current account deficit of the US in 2018 necessarily increased.' Do you agree? Explain. (2 marks)

Donald Trump, the US president, once said that imposing tariffs would only increase the revenue of the US government and the US consumers did not have to pay more for the imported goods.

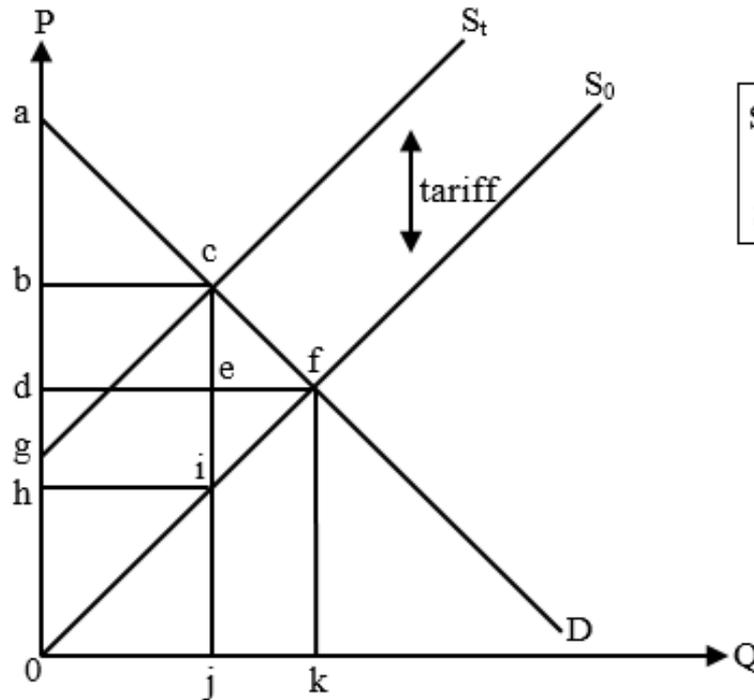
(b)(i) With the aid of a supply-demand diagram, explain under ONE extreme condition that the consumers would bear NO tariff burden after the imposition of tariff. (4 marks)

(For simplicity, the tariff is assumed to be per-unit.)

(ii) Indicate the tariff revenue (i.e. sellers' burden) in the same diagram. (1 mark)

Paper 2 Section B1 (Q9, 10)

(c) Economists argue that tariff may harm both the consumers and producers.



S₀: the supply curve before tariff

S_t: the supply curve after tariff



Paper 2 Section B1 (Q9, 10)

With reference to the above supply-demand diagram, complete the table below. (3 marks)

	Before tariff	After tariff
Consumers' surplus	Area adf	
Producers' surplus		

(d) The US government could impose quota to restrict imports. From the viewpoint of the US government, state ONE advantage and ONE disadvantage of using tariff instead of quota to restrict imports

(2 marks)



Paper 2 Section B1 (Report)

9a	<ul style="list-style-type: none">• Misspelled the term 'oligopoly' or created a term like 'oligopoly competition'
9b	<ul style="list-style-type: none">• Mistook an increase in tourist expenditure as a rise in consumption expenditure• Mistook the expense on infrastructure development for an increase in government expenditure or an increase in labour• Failed to elaborate on how the case would lead to an increase in LRAS• Mislabeled the horizontal axis as price or \$



Paper 2 Section B1 (Report)

- | | |
|----|--|
| 9c | <ul style="list-style-type: none">• Merely stated the advantages of issuing shares without mentioning in what ways it is better than obtaining bank loans as a means of raising capital• Mistook that issuing shares could help Ocean Park raise capital more easily than bank loans• Wrongly focused on the difference between shares and bonds |
| 9d | <ul style="list-style-type: none">• Only stated the term 'inventory' without mentioning that these goods are not produced in the current period• Only stated the term 'imports' without mentioning that these goods are not produced not produced by domestic firms |



Paper 2 Section B1 (Report)

- | | |
|------------------|--|
| 10ai | <ul style="list-style-type: none">Mixed up the 'balance of goods and services' with 'balance of current account' |
| 10aai | <ul style="list-style-type: none">Confused between 'current transfer' and 'transfer payment' |
| 10(b)
(i)(ii) | <ul style="list-style-type: none">Mis-matched perfectly elastic demand with a vertical demand curve OR perfectly inelastic supply with a horizontal supply curveFailed to mention that the after-tax market price would stay unchanged, so that the consumers would bear no tariff burdenFailed to identify correctly the after-tax market price and/or the per-unit price the sellers can receive net-of-tax, and thus to indicate correctly the tariff revenue |



Paper 2 Section B1 (Report)

- | | |
|-------|--|
| 10(c) | <ul style="list-style-type: none">wrongly included the tariff revenue in the after-tariff producers' surplus and mis-labelling the latter area as bci0 |
| 10(d) | <ul style="list-style-type: none">Mistook that tariff would lead to a rise in import prices while quota would notMistook that tariff might lead to retaliation from other countries while quota would not |



Paper 2 Section B2 (Q11)

Q11

Traffic congestion in the cross harbour tunnels during peak hours is a serious problem in Hong Kong. For simplicity, the discussions below only focus on two cross harbour tunnels in Hong Kong, namely the Cross-Harbour Tunnel (CHT 紅隧) and the Western Harbour Crossing (WHC 西隧).

Source A: Existing tunnel tolls for private cars

CHT (owned by the government)	\$20
WHC (owned by a private firm)	\$75

Source B: Traffic information during peak hours of the two tunnels

	Designed capacity per hour	Actual number per hour	Queue
CHT	2 600 (cars)	4 400-4 600 (cars)	1 500-3 000 (metres)
WHC	4 200 (cars)	3 600-3 800 (cars)	0 (metres)

Paper 2 Section B2 (Q11)

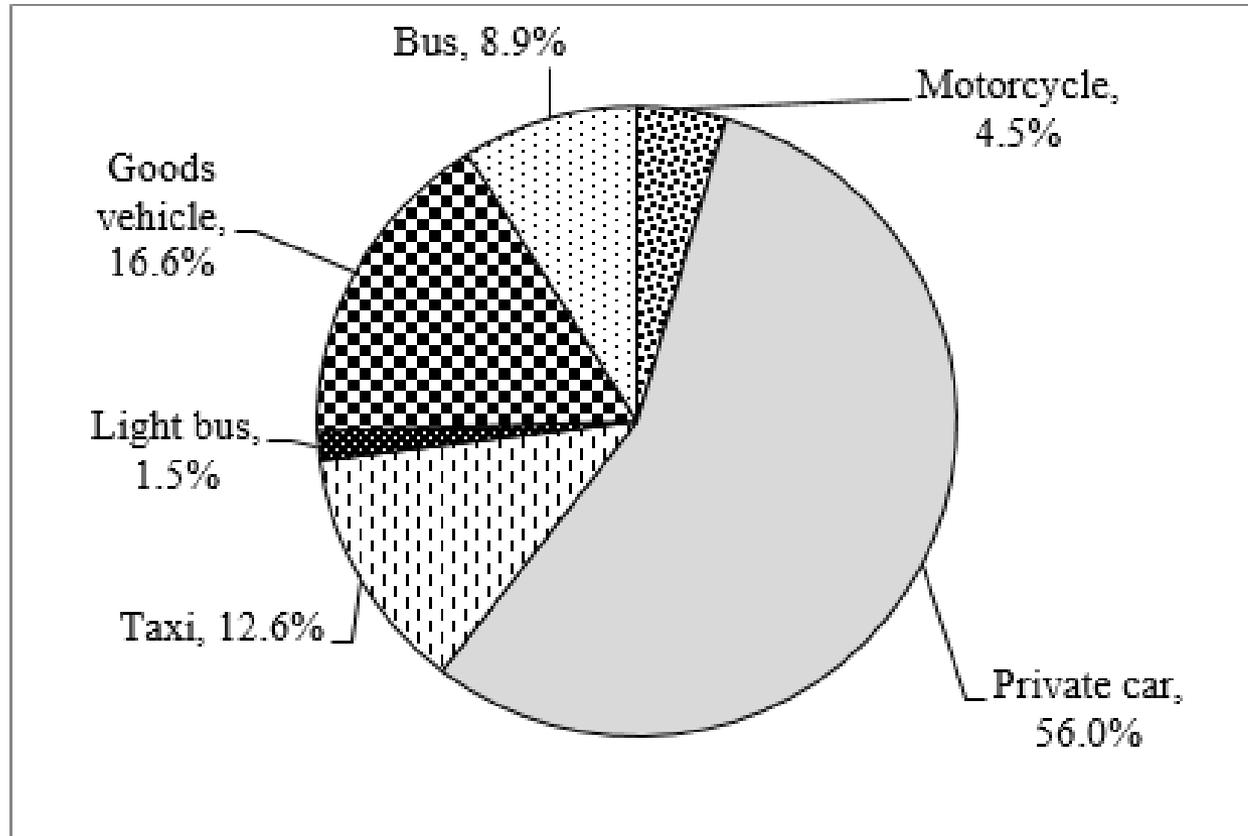
Source C: An extract of a report on traffic congestion

Traffic congestion not only affects individual drivers, but also results in inconvenience to society as a whole. Apart from the time wasted during congestion, people also need to allow extra time for the journey to cater for the uncertainty in travelling time. The stop-and-go traffic pattern during congestion increases the total operating costs of vehicles as more fuel would be consumed.



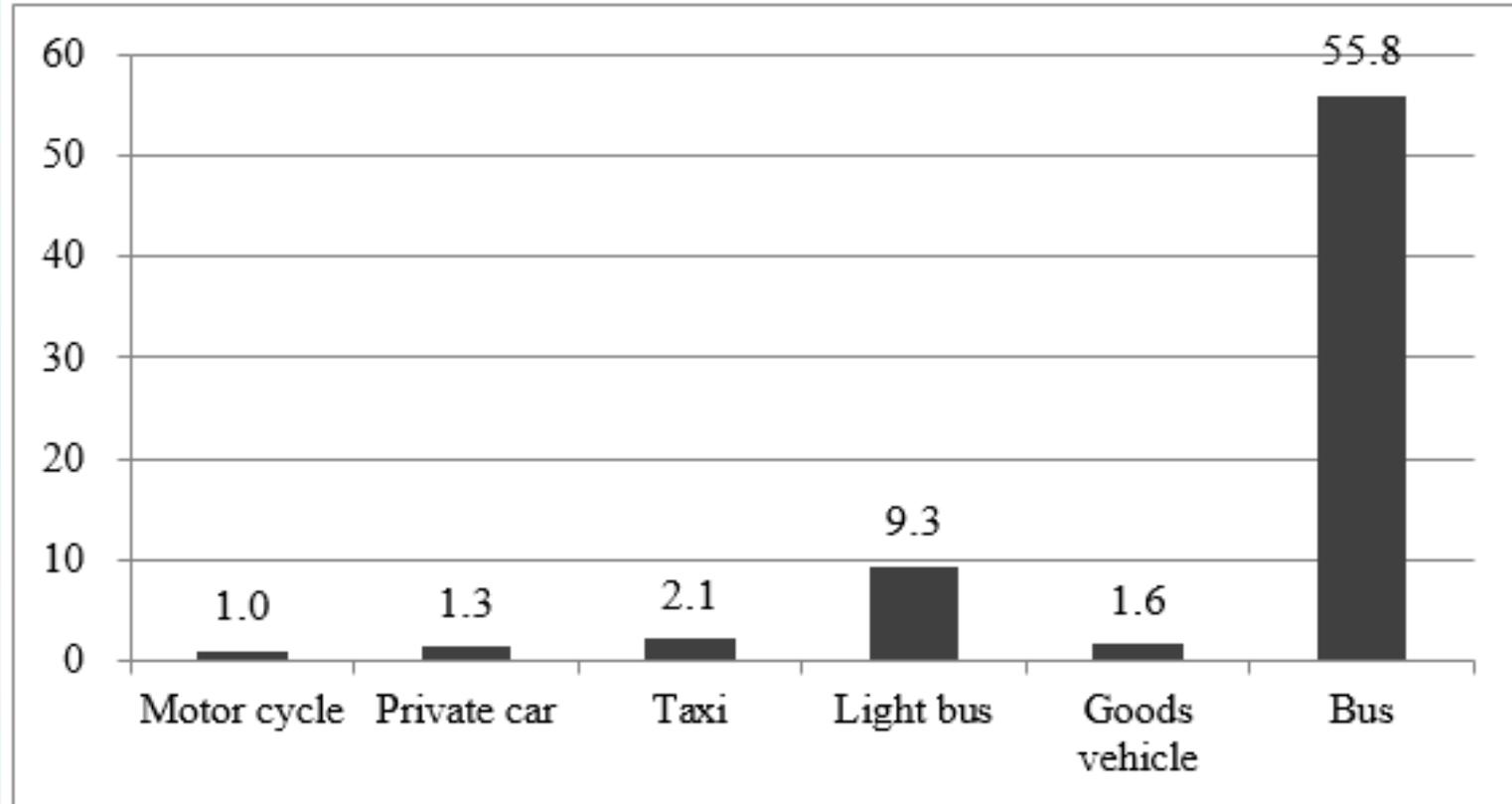
Paper 2 Section B2 (Q11)

Source D: Percentage of vehicles crossing the harbour during peak hours (by types of vehicles)



Paper 2 Section B2 (Q11)

Source E: Average number of persons in each vehicle when crossing the harbour during peak hours



<p>A politician</p> 	<p>Every citizen needs to travel across the harbour. An increase in tunnel tolls affects everyone, especially the low-income group.</p>
<p>A government official</p> 	<p>We cannot underestimate the difficulty in negotiating any adjustment in tunnel toll of WHC. The government has no right to object to the tolls set by WHC.</p>
<p>An environmentalist</p> 	<p>Reducing traffic congestion in cross harbour tunnels is only one tiny step. The root of the problem is that there are too many cars in Hong Kong.</p>
<p>A taxi driver</p> 	<p>Channeling traffic to the under-utilised WHC benefits every road user and this allows taxi drivers to have more businesses.</p>

Paper 2 Section B2 (Q11)

(a) Refer to Source A. State ONE advantage and ONE disadvantage of providing cross harbour services by a private firm instead of the government. (2 marks)

(b) Refer to Source B. With the aid of a supply-demand diagram, explain the phenomenon in the CHT (紅隧) during peak hours. (4 marks)

(c) Refer to Source C.

(i) Explain, with ONE example, why there may be a divergence between private and social costs during traffic congestion. (3 marks)

(ii) Explain why the situation in part (i) may result in inefficiency. (2 marks)

Paper 2 Section B2 (Q11)

(d) According to Sources D and E, explain why private cars may be regarded as one of the major sources of traffic congestion in the cross harbour tunnels. (2 marks)

(Assume that the number of persons using the cross harbour tunnels per day during peak hours is constant.)

For part (e), candidates are required to present their answers in an essay form. Criteria for marking will include the use of sources and economic theories, relevant content, logical presentation and clarity of expression.



Paper 2 Section B2 (Q11)

(e) Suppose there are two cross-harbour-tunnel-toll adjustment proposals to relieve the problem of congestion:

Proposal I: The government raises the toll of the CHT (紅隧) for private cars to \$75.

Proposal II: The toll of the WHC (西隧) for private cars is reduced to \$20.

With reference to the above sources and your own knowledge in Economics, discuss which proposal, proposal I or II, each of the following groups of stakeholders would prefer:

- the owners of the WHC company
- the politicians who are concerned about the income inequality in Hong Kong
- the government economists who are concerned about government revenue and/or expenditure
- ONE other group of stakeholders

Paper 2 Section B2 (Q11)

(Hint: You may discuss the reasons why one group of stakeholders would prefer a certain proposal OR why that group would not prefer the other proposal.) (14 marks)

(f) Suggest ONE proposal, other than tunnel-toll adjustment, for relieving the traffic congestion problem. Briefly explain how your proposal works. (2 marks)



Paper 2 Section B2 (Report)

11(a)	<ul style="list-style-type: none">• Only provided a sentence or two without saying whether it was an advantage or disadvantage
11(b)	<ul style="list-style-type: none">• Failed to state that 'the price is set below its equilibrium (market-clearing) level' in their verbal elaboration• Wrongly drew an upward-sloping supply curve• Imprecisely stated that shortage corresponds to the situation where demand is bigger than supply (rather than 'the quantity demanded is bigger than the quantity supplied at the given price/toll')• Wrongly referred to a case of an increase in demand (not mentioned in the given information) as the cause of shortage
11(c)	<ul style="list-style-type: none">• Failed to mention that other drivers using the tunnel are adversely affected, or that they are not compensated for these adverse effects• Failed to use the information from source C to support their answers, e.g., they cited air pollution as an example of external cost

Paper 2 Section B2 (Report)

- | | |
|---------|---|
| 11(cii) | <ul style="list-style-type: none">• Failed to pinpoint the gist of the inefficiency in this case—i.e., $MSC > MSB$ and over-use of the tunnel• Wrongly explained inefficiency by comparing marginal private cost with marginal private benefit• Mistook that $MSC > MSB$ would result in under-production |
| 11(e) | <p>General comments:</p> <ul style="list-style-type: none">• Showed improvement in organisation• Unnecessarily provided a list of the effects of both proposals• Included discussion of some other stakeholders while considering the preference of a given stakeholder• Just copied data from the sources without analysing them before concluding which proposal is preferred by which stakeholder |



Paper 2 Section B2 (Report)

11(e)

For the owners of the WHC company

- Failed to realise that WHC is a private firm so the original price it sets should be profit-maximizing
- Failed to use more precise terms, such as a change in the demand for WHC service or competitive demand, in their elaborations
- Described the situation loosely as a change in the usage of the 2 tunnels upon toll adjustments under the 2 proposals



Paper 2 Section B2 (Report)

11(e)

For income inequality

- Being able to provide proper reasons to support their choice between Proposal I and Proposal II
- Merely argued for Proposal I on the grounds that the toll raise would only affect the rich, without mentioning that most rich people drive private cars while the poor commute by public transport
- Merely argued for Proposal II on the ground that the toll cut would relieve the poor's burden, without mentioning that the percentage drop in toll (as a regressive tax) for the low-income group is bigger than that for the high-income group



Paper 2 Section B2 (Report)

11(e)

For government revenue and/or expenditure

- Being able to give concise and precise explanations to demonstrate their in-depth understanding of public finance
- Merely referred to the information in Source C or Source F without addressing the gist of the question in discussing the effects of externality or the difficulty in negotiation with WHC about the toll adjustment

Other stakeholders

- Simply named their chosen group vaguely as 'people,' or 'citizens,' or 'drivers,' making it difficult to analyse precisely the effect
- Neglected the fact that both proposals can reduce the traffic jam, so alleviation of traffic congestion cannot be used to support one proposal against another

Paper 2 Section B2 (Report)

11(f)

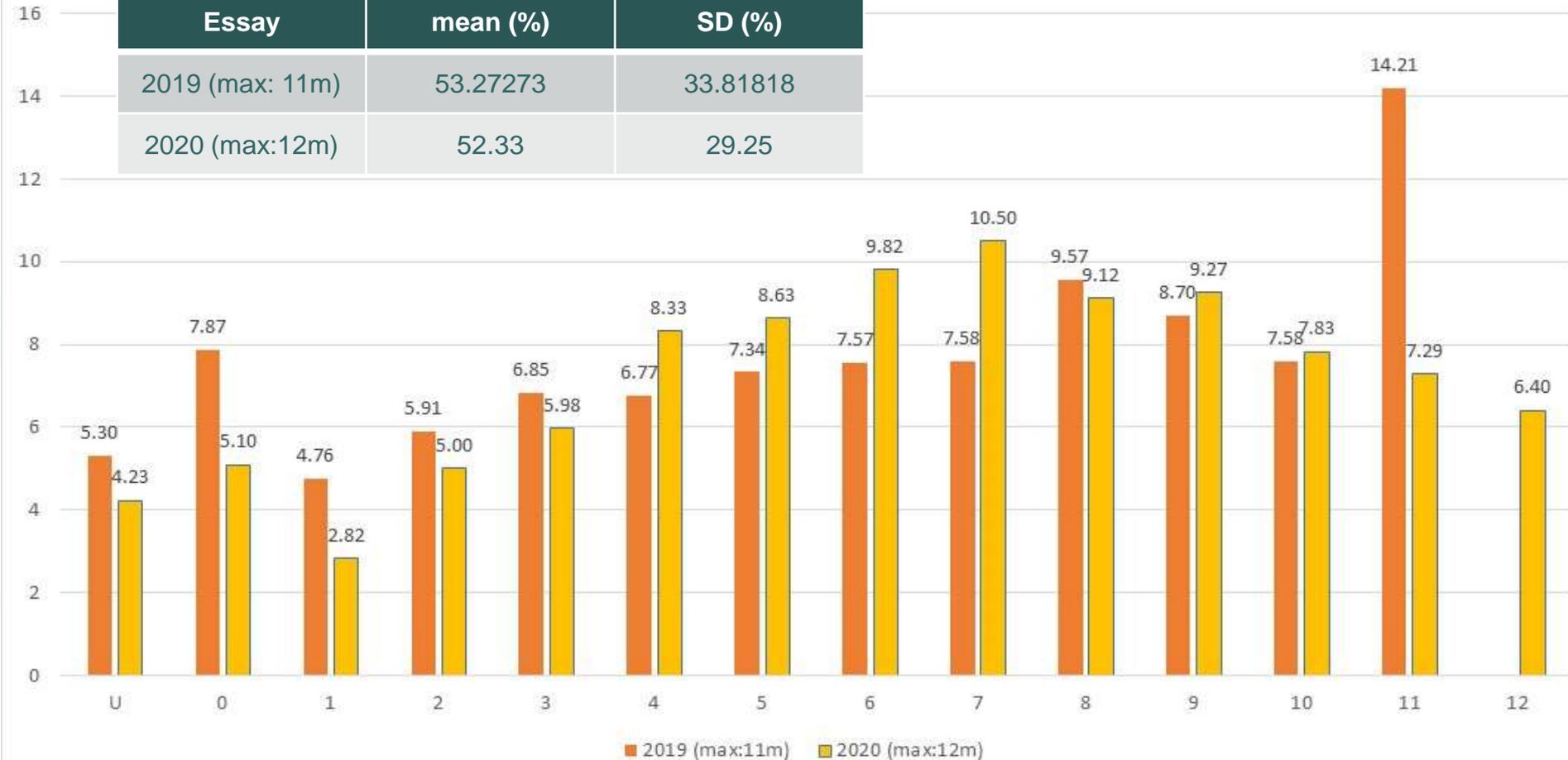
- Failed to read the question carefully, and stated taxation on cross harbour tunnels or toll adjustment as their answers



Paper 2 DRQ (statistics)

DRQ: candidates' performance

Essay	mean (%)	SD (%)
2019 (max: 11m)	53.27273	33.81818
2020 (max:12m)	52.33	29.25



Paper 2 Section C (Q12-13)

Q12

ABC Electricity Limited, the sole supplier of electricity in Country A, adopts uniform pricing.

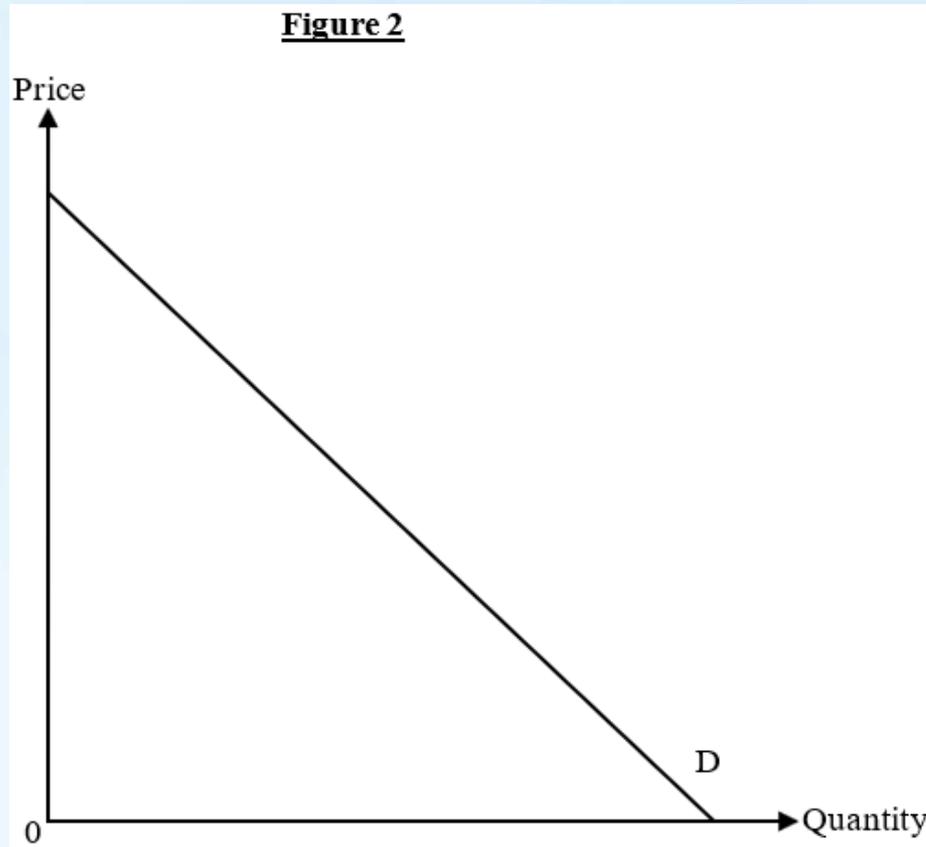
(a) If the marginal cost is constant, explain how the profit-maximising output of ABC Electricity Limited will be determined. Indicate the output (Q_M), the price (P_M) and the deadweight loss in Figure 2. (5 marks)

(b) Suppose the government imposes a lump sum tax, which is a fixed amount regardless of the quantity produced, on ABC Electricity Limited. (Assume that the tax amount is smaller than the profit.)

(i) Indicate the after tax profit-maximising output (Q_t) and price (P_t) in Figure 2. (2 marks)

(ii) Explain whether economic efficiency would worsen as a result of the tax. (2 marks)

Paper 2 Section C (Q12-13)



Paper 2 Section C (Q12-13)

(c) ABC Electricity Limited charges users in the urban area \$1 per unit of power consumed and users in the rural area \$1.5 per unit of power consumed. Define price discrimination and explain why this price arrangement may NOT constitute price discrimination. (3 marks)

ABC Electricity Limited planned to install new equipment for electricity supply in the rural area and asked the equipment providers to bid for the contracts. It was found that the two equipment providers in a region agreed to take turns being the bid winner.

(d)(i) Which anti-competitive behaviour would the above case constitute? If the above case happened in Hong Kong, which conduct rule of Competition Ordinance would be violated? (2 marks)

(ii) State TWO ways the above behaviour would harm ABC Electricity Limited. (2 marks)

Paper 2 Section C (Q12-13)

Q13

Refer to Figure 3. PPF_A and PPF_B are the production possibility frontiers of Country A and Country B respectively. E₀ is the consumption point of Country A without trade.

Assume the domestic cost of production of 1 unit of Good X in Country A is 1.5 units of Y at E₀.

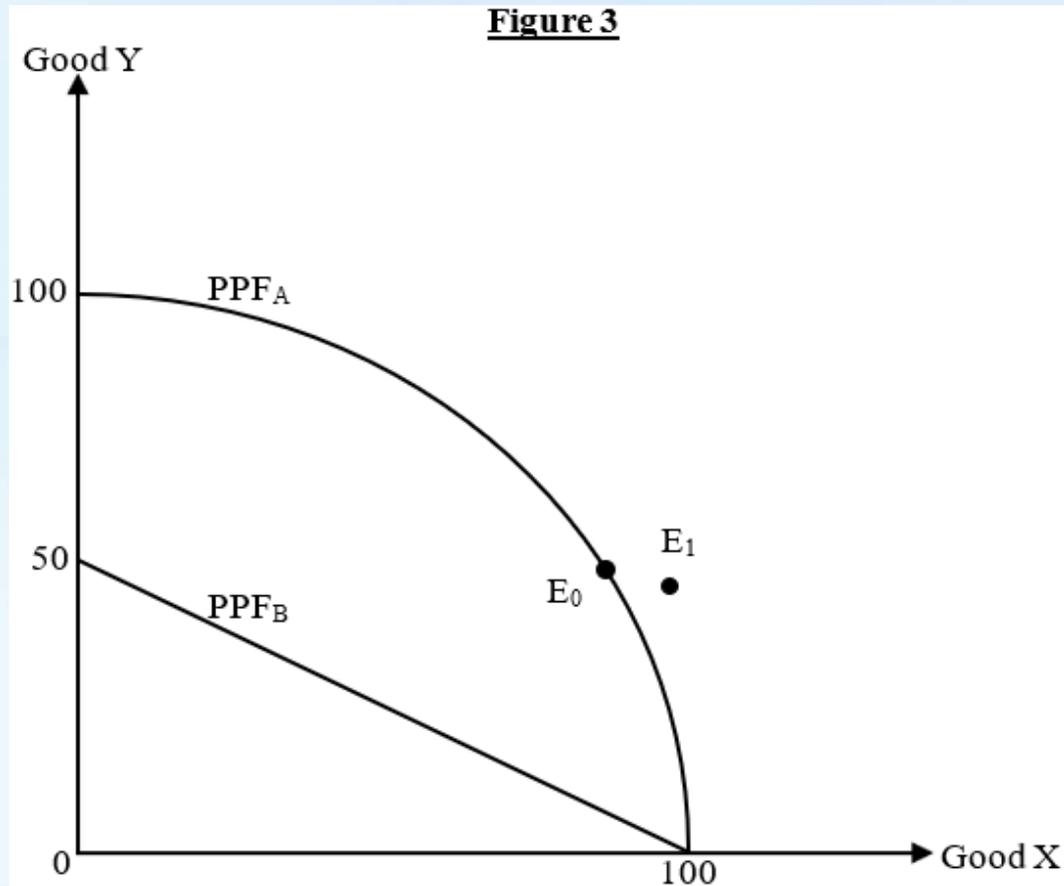
(a) With reference to the domestic production costs of Country A and Country B, explain which country will specialize in producing Good X.

(3 marks)

(b) After Country A engages in trade with Country B, the consumption point of Country A is E₁.



Paper 2 Section C (Q12-13)



Paper 2 Section C (Q12-13)

Indicate in Figure 3,

- (i) the consumption possibility frontier (CPFA) of Country A (Hint: CPFA should pass through E1),
- (ii) the production point (AT) of Country A after trade and explain your answer in terms of terms of trade, and
- (iii) the consumption possibility frontier (CPFB) and the production point (BT) of Country B after trade. (5 marks)

(c) Suppose Country B adopts artificial intelligence technologies in the production of Good Y, which doubles her productivity of the good.

- (i) Explain whether your answer in part (a) would be affected by the above change. (2 marks)
- (ii) Give TWO reasons to explain why the adoption of artificial intelligence technologies may boost economic development of Country B. (4 marks)
- (iii) Apart from adopting artificial intelligence technologies, list TWO factors that may boost economic growth. (2 marks)

Paper 2 Section C (Report)

12(a)	58%	<ul style="list-style-type: none"> • Wrongly drew an upward-sloping marginal cost curve • Failed to state the profit-maximising condition in their verbal elaboration, or simply stated 'marginal benefit = marginal cost' as the condition • Only provided vague arguments instead of applying clear economic concepts
12(b)		<ul style="list-style-type: none"> • Failed to realise that the imposition of a lump-sum tax would not affect marginal cost or marginal revenue
12(dii)		<ul style="list-style-type: none"> • Wrongly stated the harm such anti-competitive behaviour would inflict upon the consumers, instead of ABC Company • Wrongly conceived that the company had violated the law and would thus be punished

Paper 2 Section C (Report)

13(a)	42%	<ul style="list-style-type: none"> Overlooked the given information and calculated the opportunity cost of producing 1X in country A as 1Y (=100/100)
13(b)		<ul style="list-style-type: none"> Failed to realise that country A would not specialise completely in producing one single good Failed to explain how they could find the production point of country A in part (ii)
13(c)(i)		<ul style="list-style-type: none"> misread the question and thought that the productivity of both Good X and Good Y doubled simultaneously Failed to support their answer with a proper calculation of the new opportunity cost



Paper 2 Section C (Report)

13(c)(ii)(iii)

- Wrongly use GNI, instead of per capita GNI, to explain the AI-effect on economic development
- Narrowly discussed per capita GNI and ignored the other two aspects of HDI
- Failed to realise that any factor contributing to an increase in the population only may not lead to an increase in per capita GNI (despite its positive effect on GNI)



Paper 2

General reminder:

- 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 written not in the designated spaces will **NOT** be marked



Paper 2 Overall comments

- Some candidates failed to demonstrate a thorough understanding of basic **economic concepts and principles**, especially when **applying** them to solve hypothetical or **real-life problems**. Candidates should strengthen their analytical skills instead of simply regurgitating concepts and theories
- Some candidates lacked skills to **extract information** from tables and graphs as well as to draw well-labelled diagrams. Candidates should pay special attention to the **headings, labels, and axes** as they are essential to our understanding of the data presented therein.
- Some candidates had difficulty in presenting their answers in a **clear and precise** way. Candidates should equip themselves with better **language** abilities as well as **graphical skills**, and make sure that their **handwriting is legible**.
- Some candidates did not **read the questions carefully**. Candidates should devote special attention to the assumptions and conditions laid down in the questions to avoid giving irrelevant answers.
- Some candidates did not seem to be well-informed about **current economic issues** in the real world. Candidates should pay more attention to economic news.

Grading - paper marks and subject marks

- **Raw mark** of Paper 1 (max mark): 45
- **Raw mark** of Paper 2 (max mark): 124
- **Adjusted mark**: Marks awarded by markers are adjusted, if necessary, to rectify lenient, strict or erratic marking.
- **Weighted paper mark**: Marks of different papers are converted to the same comparable scale, taking into account the spread of marks in different papers and the published paper weightings, before they are combined to form the **subject mark**.



Grading - Grading procedures

1. Sample scripts selection
2. Standardisation
3. **Post-marking exercise:**
The **grading panel** will discuss and suggest a provisional grading recommendation (including **preliminary cut score range**) on each paper through expert judgment base on:



Grading – Post-marking exercise

- The **level descriptors**
- The standards of 2012 DSE (library scripts)
- **Marked-live scripts**, selected according to the total marks
- Feedback from markers on the **level of difficulty** of papers
- Inter-paper correlations, the mean and standard deviation of the current year's papers
- Paper mark cumulative distributions
- **Performance samples from 2018 and 2019 DSE** (library scripts)



Grading – Panel of judges grading meeting

- Preliminary cut score range
- Samples scripts around the cut score range
- Group ability index:
 - constructed per level
 - an index for each level based on the number of candidates in **this group (this subject)** achieving that particular level in the four core subjects
 - depends on the correlation of the subject and EACH of the 4 core subjects



Grading – Panel of judges grading meeting

Panel of judges considers:

- Preliminary cut score range
 - Samples scripts around the cut score range
 - Group ability index (GAI) as reference
- ➔ Recommendation for the cut score for the subject
- The panel of judges plays a very important and independent role in setting a cut score for each level based on the actual performance of candidates



Grading – Internal meeting and Public Examinations Board meeting 72

- Internal meeting: A senior management team led by Secretary General of the Authority will meet to review the recommendations of individual subject panels.
- PEB meeting: The recommendations of the internal meeting will be reviewed at the PEB meeting and the final cut scores of all HKDSE subjects must be endorsed at this meeting.



Grading – Determination of level 5** and 5*

- Statistically determined
- The highest **10%** (approximately) of level 5 candidates will be awarded 5**
- The next highest-achieving **30%** (approximately) of level 5 candidates will be awarded 5*



Grading: Standard Maintenance

- Standard of the level 1,2,3,4,5 should be maintained across years
- the cutting scores NOT constant:
the cutting scores depends on level of difficulty of the papers and the actual performance of the candidates
- It is possible that a level 2 candidate perform better in one particular question than a level 5 candidate:
the level represents the overall performance



DRQ: Online Resources

Sample questions (with updated assessment criteria):

Eng:



Chi:



PowerPoint of
the seminar on DRQ:



DRQ: Related Past Questions

- 2012: Nil
- 2013: Q8, Q11b
- 2014: Q7ab
- 2015: Q8
- 2016: Q11d, Q12c, Q13b
- 2017: Q10b, Q13b
- 2018: Q11, Q13b
- 2019: Q12 (with essay)
- 2020: Q11 (with essay)

