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SUPERVISOR'S USE ONLY

Level 1 Economics, 2013

90983 Demonstrate understanding of consumer choices, using scarcity and/or demand

9.30 am Tuesday 26 November 2013

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of consumer choices, using scarcity and/or demand.	Demonstrate in-depth understanding of consumer choices, using scarcity and/or demand.	Demonstrate comprehensive understanding of consumer choices, using scarcity and/or demand.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–11 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

ASSESSOR'S USE ONLY

You are advised to spend one hour answering the questions in this booklet.

QUESTION ONE: CONSUMER CHOICE

Taylor is a 16-year-old student who sings in the school choir and plays football. When she is not rehearsing or training, she helps her parents in the family business. To relax in her spare time, Taylor enjoys having friends around to play computer games.

Complete (a) and (b) to **fully explain** how scarcity and values affect Taylor's consumer choice.

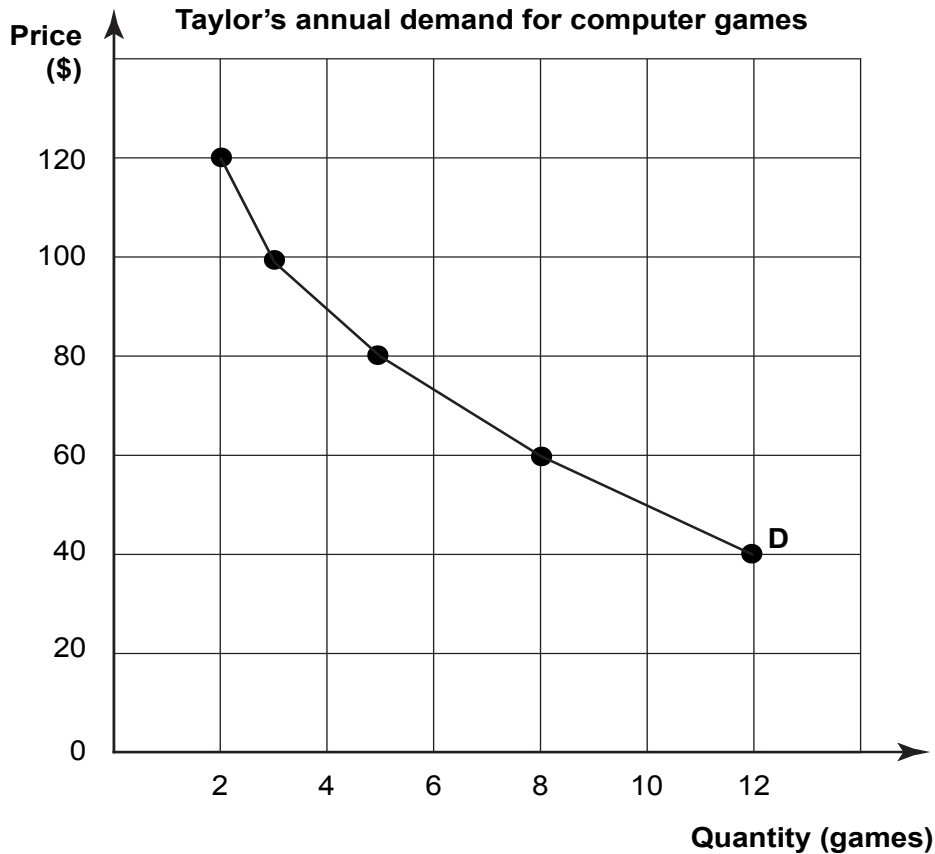
- (a) Discuss how Taylor's decisions about her use of time **and** money will involve an opportunity cost. In your answer, you should refer to the resource material above, and link the following:
- wants
 - limited means
 - scarcity
 - opportunity cost.

QUESTION TWO: LAW OF DEMAND

Taylor uses income earned from working in her parents' business to buy computer games. The following graph shows Taylor's annual demand for computer games.

Complete (a) – (c) to **fully explain** the law of demand in the context of Taylor's demand for computer games.

- (a) Using the demand curve provided below, complete Taylor's annual demand schedule for computer games.



Taylor's annual demand schedule for computer games

Price (\$)	Quantity (games)

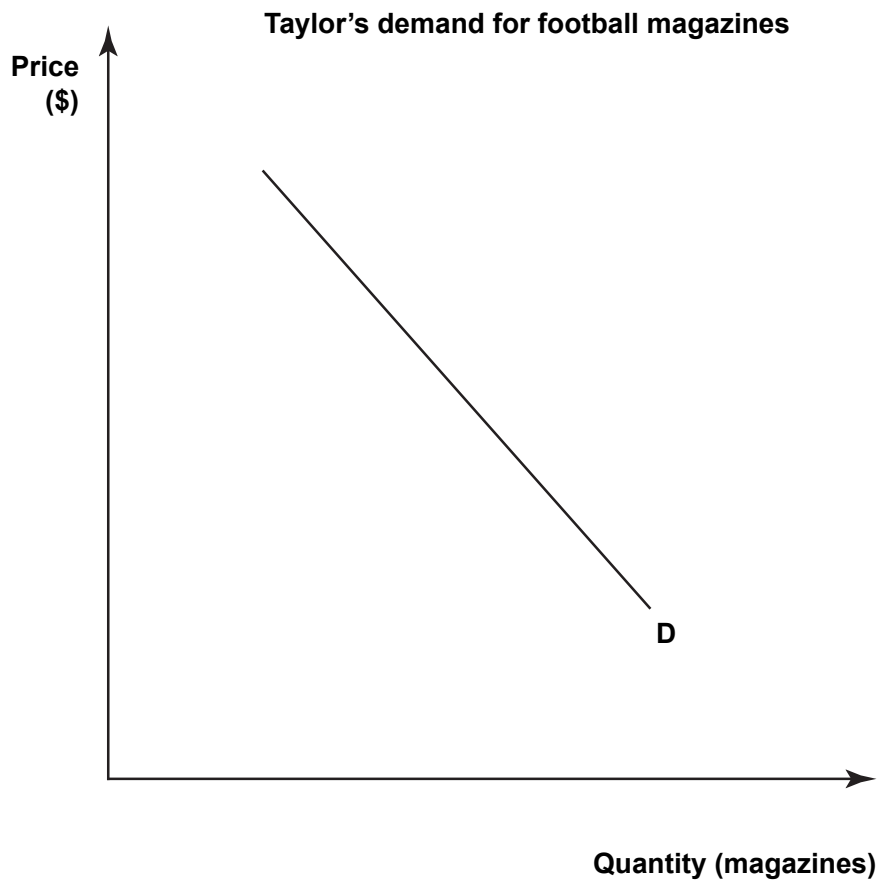
- (b) On the graph above, show the effect on the quantity of computer games demanded, if the price per game falls from \$100 to \$60. Fully label all changes.

QUESTION THREE: CHANGES IN DEMANDASSESSOR'S
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Instead of computer games, Taylor sometimes spends her income on football magazines, which she reads to help with her training.

Complete (a) – (b) to **fully explain** the economic relationship between football magazines and computer games in the context of Taylor's demand.

- (a) On the graph below, show how the **reduced price of computer games** may affect Taylor's demand for **football magazines**.

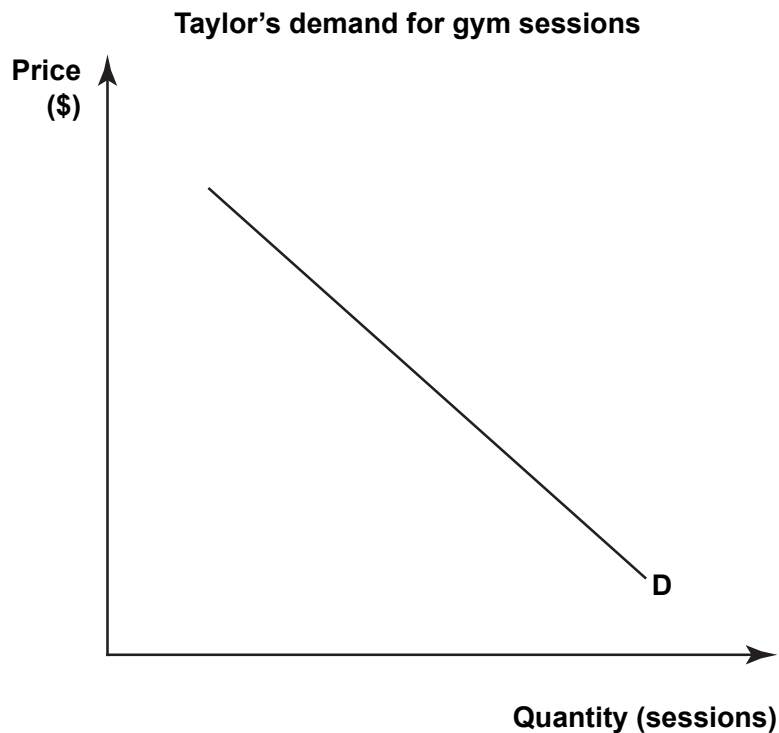


QUESTION FOUR: INCOME CHANGES

Taylor mainly uses her skipping rope to help with her football training, and she occasionally pays for fitness sessions at a gym. Taylor's parents have increased the income she earns from working in the family business.

Complete (a) – (b) to **fully explain** inferior and luxury goods in the context of Taylor's demand for gym sessions.

- (a) Complete the sketch graph below to show the effect a **rise in income** would have on Taylor's demand for gym sessions.



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