

1

90985



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

Level 1 Economics, 2013

90985 Demonstrate understanding of producer choices using supply

9.30 am Tuesday 26 November 2013
Credits: Three

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of producer choices using supply.	Demonstrate in-depth understanding of producer choices using supply.	Demonstrate comprehensive understanding of producer choices using supply.

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 2–8 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: LAW OF SUPPLY

Stanley is the owner of a small shoe manufacturing factory called *Stanley's Shoes*. Stanley produces both street shoes and school shoes.

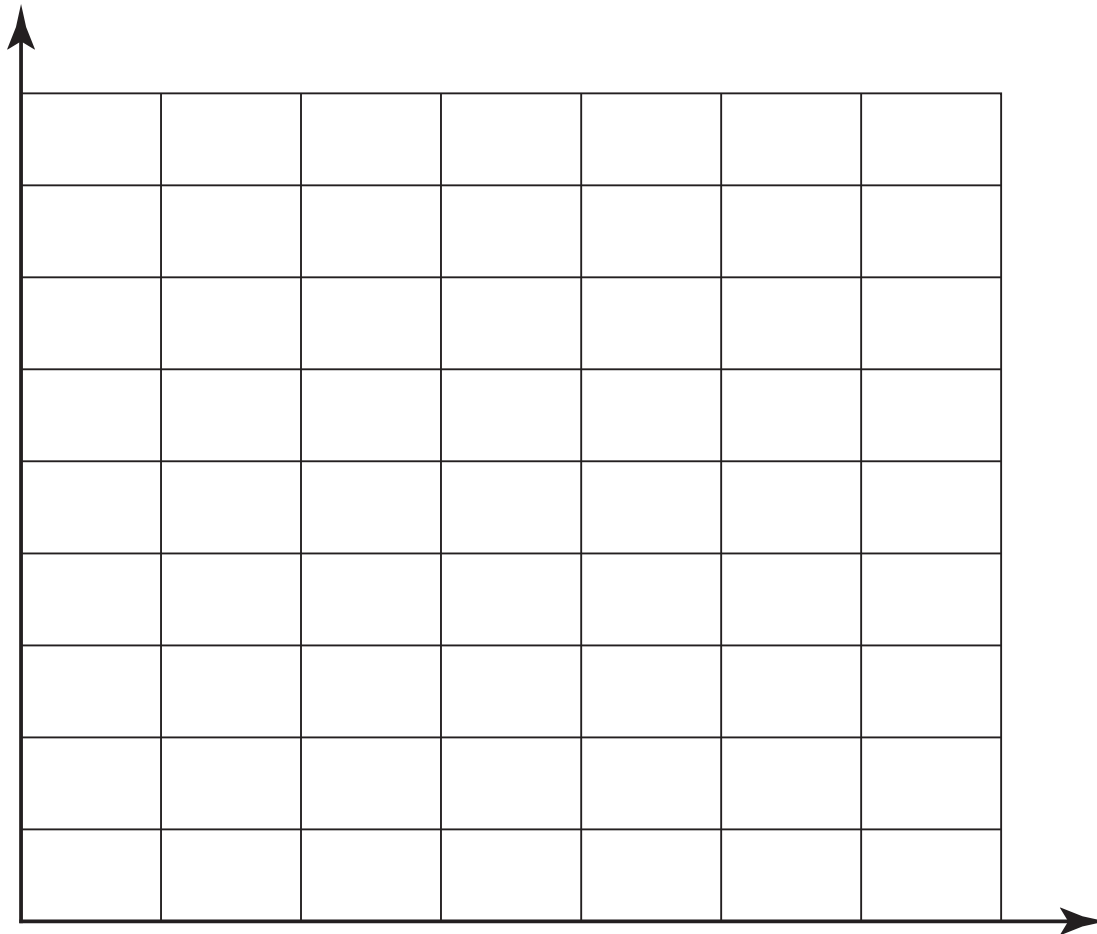
Stanley's monthly supply of street shoes is detailed as follows:

- when the price of street shoes is \$80 per pair, Stanley will produce 1 000 pairs
- if the price was \$180 per pair, he would increase his production to 3 000 pairs
- when the price is \$100 per pair, he will produce 1 500 pairs, and he produces 2 000 pairs when the price is \$130.

Complete (a) – (c) to **fully explain** the law of supply and the effect on the supply of other goods in the context of Stanley's business.

- (a) Using the axes provided below, draw Stanley's monthly supply of street shoes. Fully label your graph.

Title: _____



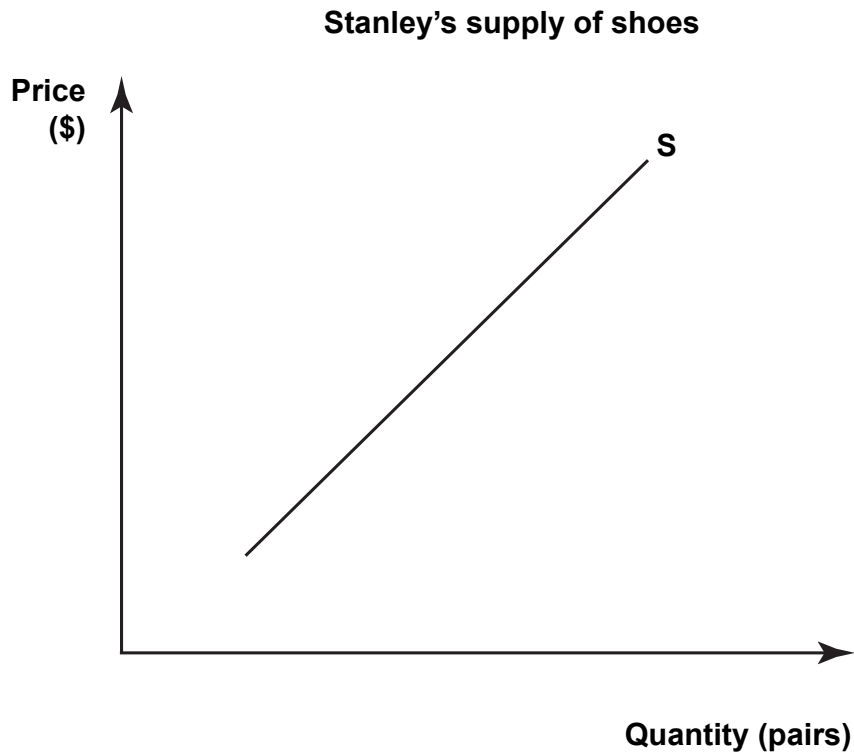
- (b) On your graph above, show the effect of a price increase from \$80 to \$130 per pair for Stanley's street shoes. Fully label the changes.

QUESTION TWO: NON-PRICE FACTOR AFFECTING SUPPLYASSESSOR'S
USE ONLY

Stanley's factory suffered a power failure in part of the factory due to old, faulty wiring, which affected his operations.

Complete (a) and (b) to **fully explain** the effect of the power failure, in the context of Stanley's business.

- (a) On the graph below, show how the power failure affected Stanley's supply of shoes. Fully label the changes you make on the graph.



QUESTION THREE: CHANGE IN SUPPLY

Youth workers can be employed at a wage rate below the adult minimum wage.

Stanley decides he could decrease his wage costs by employing youth workers at this lower wage rate to replace his experienced older staff.

Complete (a) and (b) to **fully explain** the effect of employing youth workers at a lower wage rate, in the context of Stanley's business.

- (a) On the graph below, show how a decrease in wage costs would affect Stanley's supply of shoes. Fully label the changes you make on the graph.

