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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 1 Economics, 2014

90985 Demonstrate understanding of producer choices using supply

9.30 am Monday 24 November 2014

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 parts of ALL questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

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

QUESTION ONE: LAW OF SUPPLY

Jessie is a qualified painter who runs a house painting business. She also provides gardening services when the house painting business is less busy. She has her own van and five staff working for her. Jessie hires the equipment she needs, such as scaffolds and ladders.

The number of houses she paints per month depends on the price she can charge. The graph below shows Jessie's monthly supply of houses painted.

Jessie's monthly supply of house painting services



- (a) Use the graph above to complete the supply schedule below.

Jessie's monthly supply of house painting services

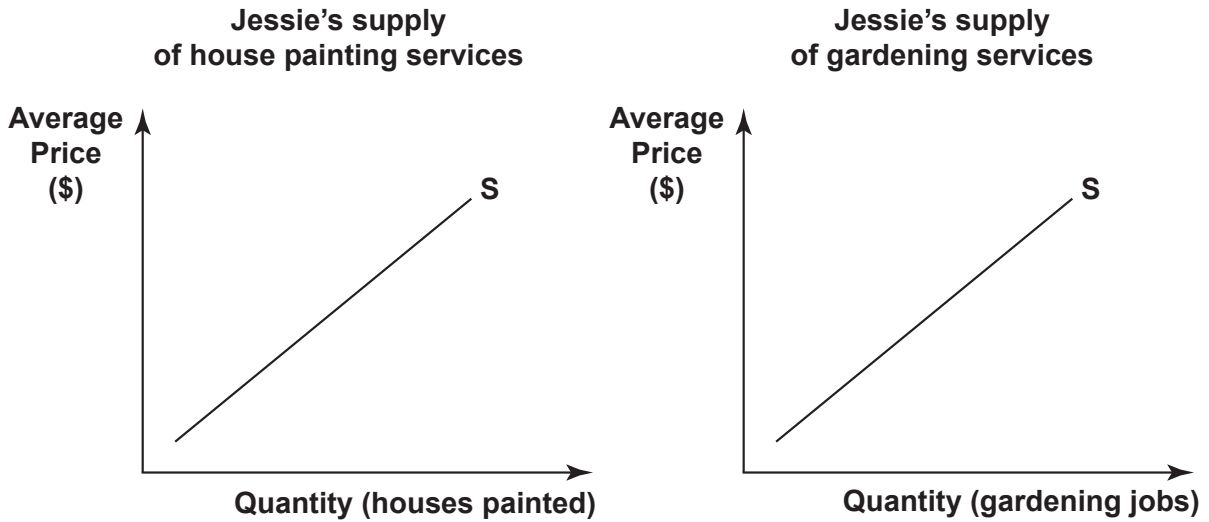
Average price (\$)	Quantity (houses painted)
1 000	
2 000	
3 000	
4 000	
5 000	
6 000	

- (b) On the graph above, show the effect of a price decrease from \$5 000 to \$3 000 per house. Fully label the changes.

QUESTION THREE: RELATED SERVICES

Jessie offers gardening services as well as house painting services. The local council has introduced stricter safety regulations for painters. This requires painters to use stronger scaffolds and safer ladders and to have them safety checked more regularly.

- (a) On the sketch graphs below, show the effect of stricter safety regulations on Jessie's supply of house painting services AND on Jessie's supply of gardening services. Fully label the changes you make on the graphs.



- (b) Discuss the relationship between the supply of house painting services and the supply of gardening services, in the context of Jessie's business.

In your answer:

- fully explain the relationship between house painting services and gardening services in the context of Jessie's business
- fully explain the link between the stricter safety rules on house painting and Jessie's supply of house painting services
- fully explain the link between the stricter safety rules on house painting and Jessie's supply of gardening services
- refer to your graphs above
- fully explain ONE flow-on effect of this change for Jessie's business.
