

# 1

90983



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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## Level 1 Economics, 2015

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

2.00 p.m. Wednesday 25 November 2015

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 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 DEMAND**

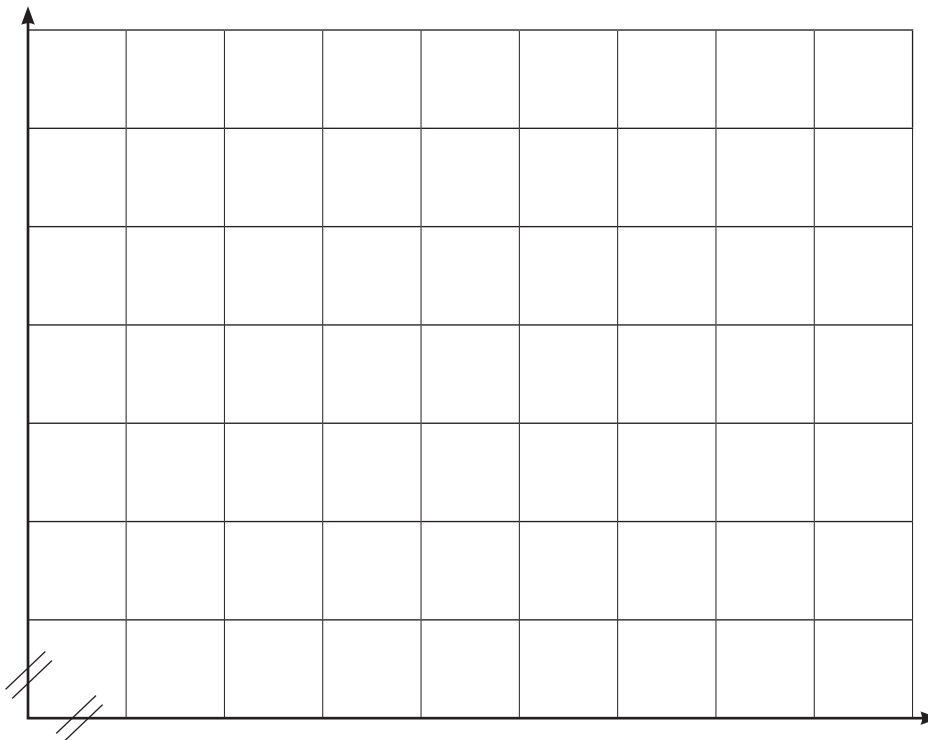
Anahera is in her last year of secondary school. She is a keen musician, and her main instrument is the violin. When Anahera is not at school, she likes to go to live theatre and attend concerts. She enjoys concerts by local bands, as well as high-profile international bands.

- (a) Using the demand schedule below, complete Anahera's annual demand curve for concerts.

**Anahera's annual demand for concerts**

Average price (\$)	Quantity (concerts)
80	7
70	8
60	10
50	12
40	15
30	20

**Title:** \_\_\_\_\_



- (b) On the graph above, show the effect on the quantity of concerts demanded, if the average price decreases from \$60 to \$40. Fully label all changes.

(c) Discuss the law of demand by referring to Anahera's demand for concerts.

In your answer:

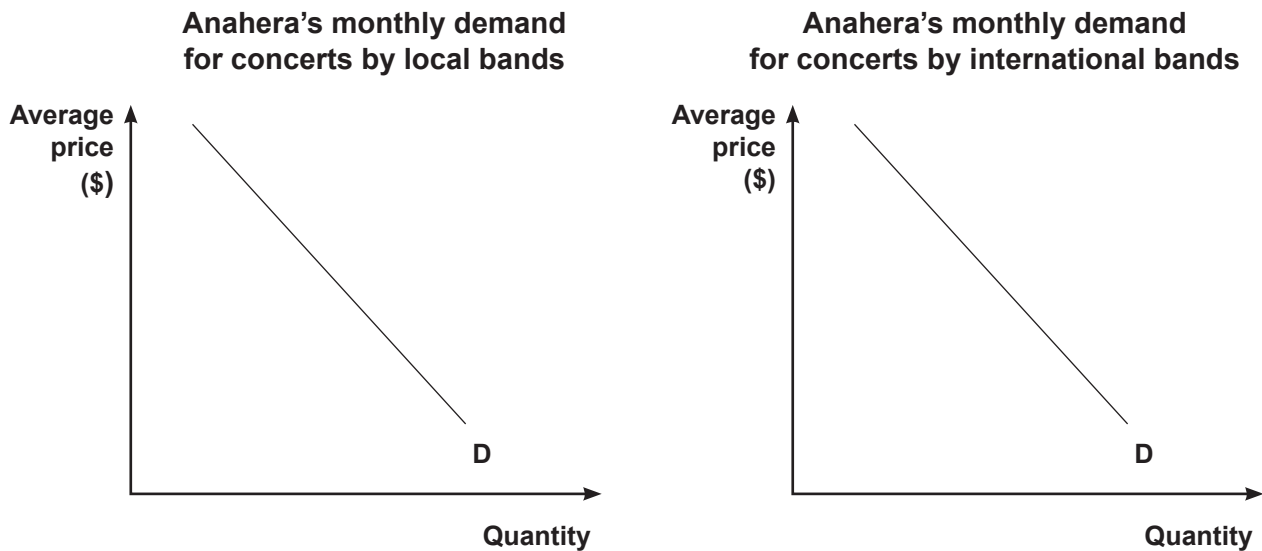
- describe the law of demand by referring to the relevant data from the demand schedule or your graph on page 2
- fully explain, with TWO reasons, why the quantity of concerts demanded by Anahera changes when the average price of concerts decreases
- fully explain TWO flow-on effects for Anahera of the change in the quantity of concerts demanded.

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## QUESTION TWO: INFERIOR GOODS AND LUXURY GOODS

Anahera has the opportunity to travel overseas with her school's orchestra, but she will need to increase her savings in order to be able to afford to go. Anahera likes to attend concerts in New Zealand by local bands, as well as high-profile international bands.

- (a) On the graphs below, show how Anahera increasing her savings might affect her demand for concerts in New Zealand by local and high-profile international bands. Fully label all changes.



- (b) Discuss how Anahera increasing her savings might affect her demand for concerts. In your answer:
- define savings
  - use the examples of concerts performed by local bands and concerts performed by high-profile international bands to explain inferior goods and luxury goods in Anahera's context
  - explain the effect that the savings will have on Anahera's demand for concerts performed by local bands and on her demand for concerts performed by high-profile international bands
  - fully explain ONE positive **and** ONE negative flow-on effect that the change in her demand for concerts may have for Anahera
  - refer to the graphs in (a).

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