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NEW ZEALAND QUALIFICATIONS AUTHORITY
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Level 1 Economics, 2016

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

9.30 a.m. Tuesday 15 November 2016
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 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 2–11 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

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QUESTION ONE: CONSUMER CHOICE

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<p>Dane is 19 and currently studying towards a trade. He works part time at an indoor trampoline park to help pay for his course fees and living costs. He also uses the trampoline park for both fitness and enjoyment. Dane also enjoys spending time with his friends. He often has to make choices between the different activities.</p>
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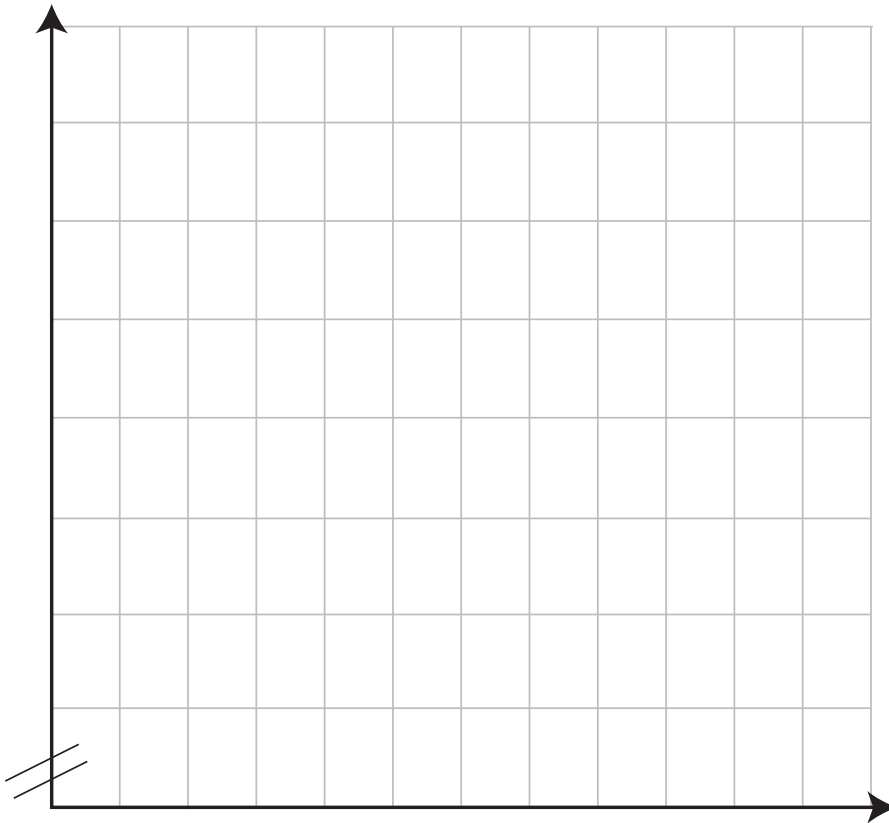
- (a) Refer to the material above to fully explain how and why Dane’s choices result in an opportunity cost. In your answer, link limited means, scarcity, choice, and opportunity cost.

QUESTION TWO: LAW OF DEMAND

Dane uses the trampoline park for fitness. If the price per session were \$20, Dane would attend 3 sessions a week. If the price were \$18 a session, he would attend 5 sessions. If the price fell to \$11 a session, he would go 7 times a week. If the price were \$9 a session, he would attend 10 sessions.

- (a) Use the information above to draw a demand curve illustrating Dane's weekly demand for trampoline sessions.

Title: _____



- (b) On the graph above, show the effect of the price of trampoline sessions changing from \$11 per session to \$18 per session. Fully label your changes.
- (c) Use the information above and the law of demand to fully explain the effect on the number of trampolining sessions that Dane might attend per week as the price of trampolining changes from \$11 per session to \$18 per session. In your answer, include reasons for the law of demand.

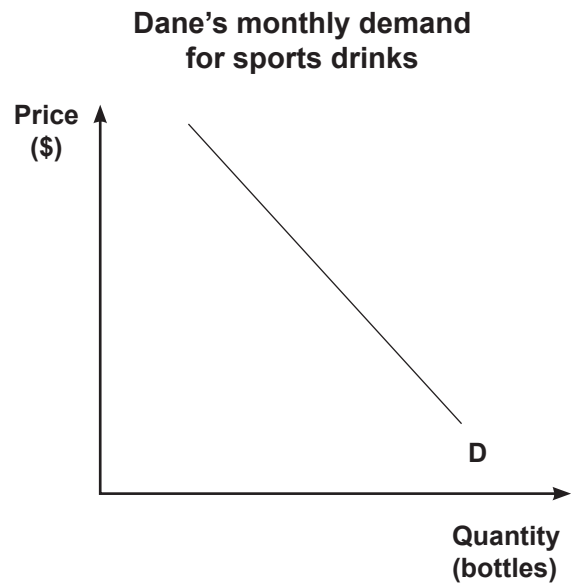
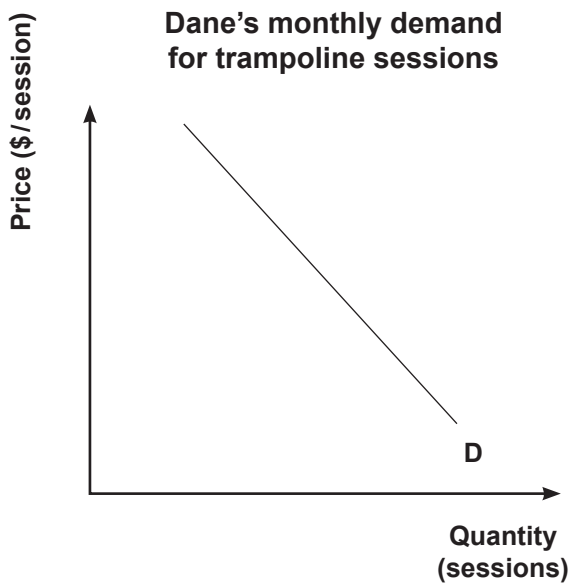
(d) Fully explain TWO flow-on effects that the change in price of trampolining could have for Dane.

QUESTION THREE: CHANGE IN DEMAND

Dane has found that he is good at trampolining, so he decides to join a club and compete in competitions. Dane will need to practise routines and improve his technique. Dane likes to buy sports drinks when he trains.

- (a) Explain the economic relationship between trampolining sessions and sports drinks for Dane.

- (b) On the graphs below, show the effect of Dane's becoming a competitive trampoliner on his monthly demand for sessions at the trampoline park and on his demand for sports drinks. Fully label your changes.



(c) Using the graphs on page 6, fully explain the effect of Dane’s decision to become a competitive trampoliner on his monthly demand for trampolining sessions and on his demand for sports drinks.

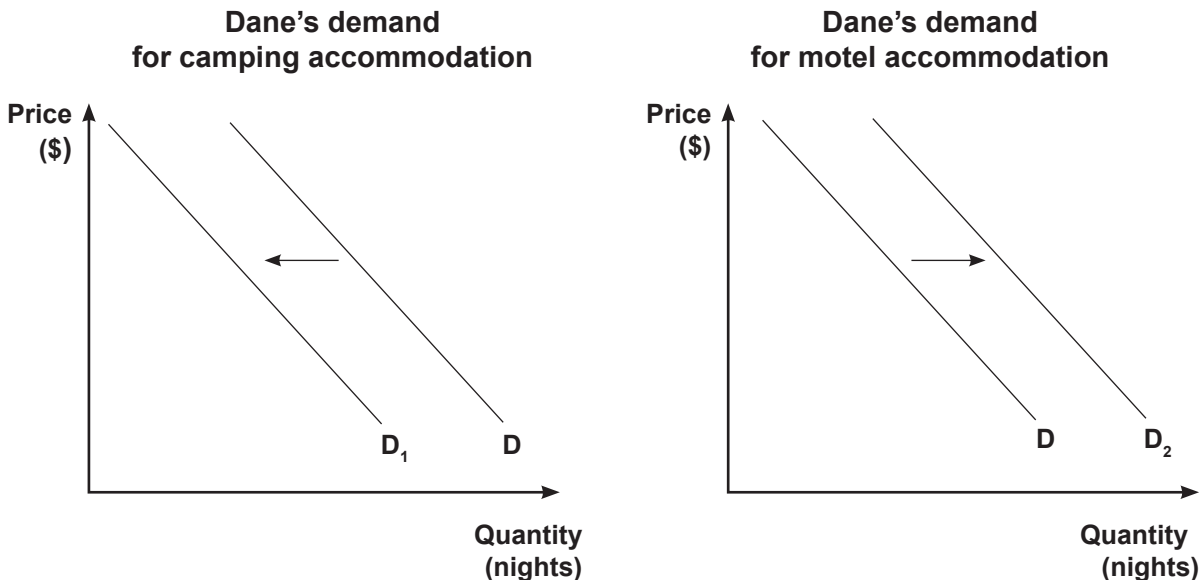
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(d) Fully explain ONE flow-on effect of these changes in demand on Dane’s budget.

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QUESTION FOUR: INCOME

Dane has received a scholarship that he can put towards attending an out-of-town trampolining tournament. Usually, he would stay at a camping ground; now, however, he is considering staying at a four-star motel.



(a) With reference to the information and graphs above, fully explain the effect of Dane's scholarship on his demand for camping accommodation and motel accommodation.

In your answer, explain:

- the effect of the scholarship on Dane's income
- the types of goods that camping accommodation and motel accommodation are for Dane
- the link between Dane's income and his demand for camping accommodation and his demand for motel accommodation.

- (b) Fully explain ONE positive and ONE negative flow-on effect that the change in demand for holiday accommodation might have for Dane.

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