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90986



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

SUPERVISOR'S USE ONLY

Level 1 Economics, 2016

90986 Demonstrate understanding of how consumer, producer and/or government choices affect society, using market equilibrium

9.30 a.m. Tuesday 15 November 2016

Credits: Five

| Achievement | Achievement with Merit | Achievement with Excellence |
|---|--|---|
| Demonstrate understanding of how consumer, producer and/or government choices affect society, using market equilibrium. | Demonstrate in-depth understanding of how consumer, producer and/or government choices affect society, using market equilibrium. | Demonstrate comprehensive understanding of how consumer, producer and/or government choices affect society, using market equilibrium. |

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 2–8 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: MARKET EQUILIBRIUM

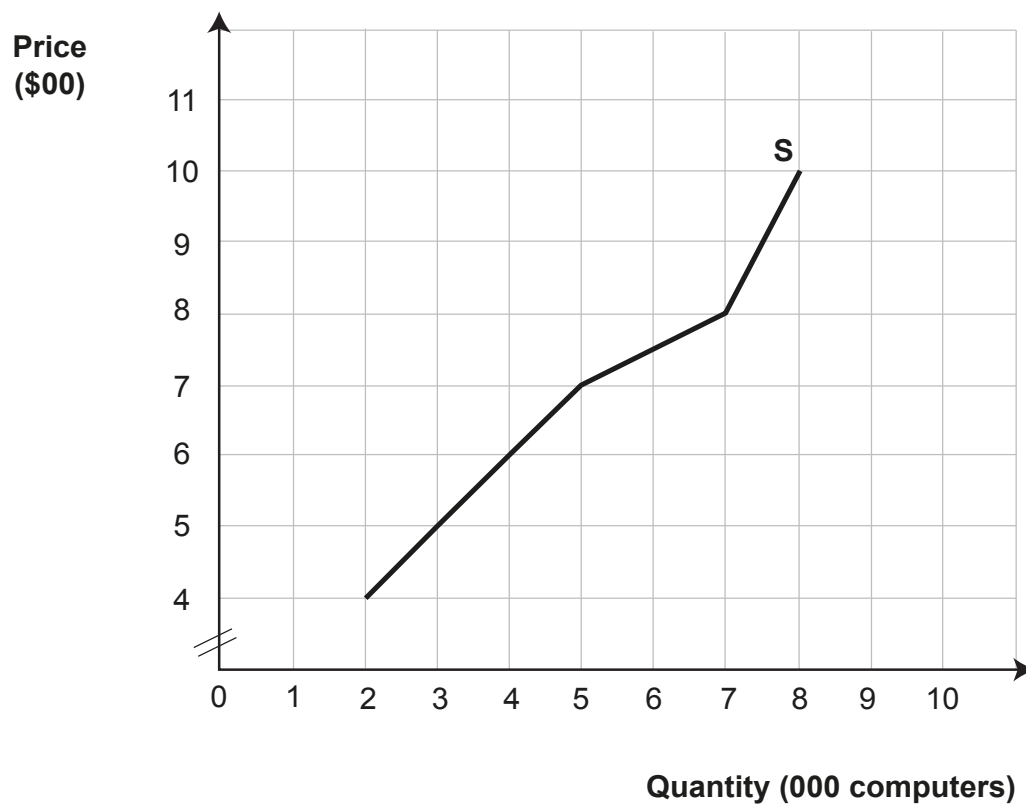
The table and graph below illustrate the market for laptop computers in New Zealand, per month.

(a) Use the information below to:

- complete the market demand table
- complete the market demand graph
- on the graph, use dotted lines to indicate the market equilibrium price (label this P_e) and market equilibrium quantity (label this Q_e).

Market demand for laptop computers in New Zealand (monthly)

| Price (\$) | North Island | South Island | Market demand |
|------------|--------------|--------------|---------------|
| 500 | 3500 | 6000 | |
| 600 | | 4500 | 9000 |
| 700 | 4100 | | 8000 |
| 800 | 3800 | | 7000 |
| 900 | 3000 | 3000 | 6000 |
| 1000 | | 1900 | 4000 |
| 1100 | 1700 | 1300 | |

Market for laptop computers in New Zealand (monthly)

(b) On the graph above, show the market situation if the price of a laptop computer were \$900.

In your answer:

- use dotted lines and labels to show the quantity demanded (Q_d) and the quantity supplied (Q_s)
- fully label the resulting shortage or surplus.

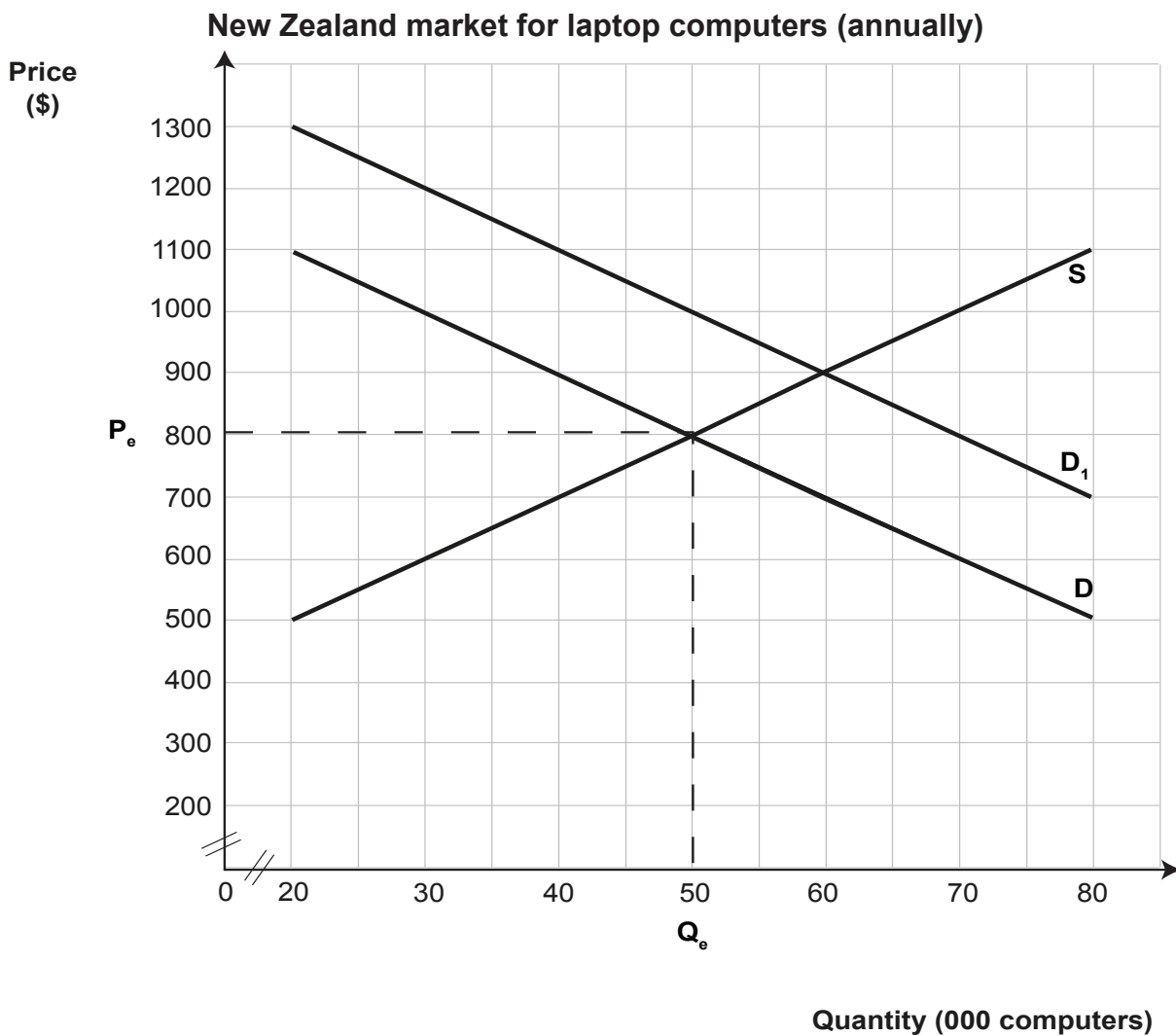
QUESTION TWO: CHANGE IN DEMAND

In recent years, many New Zealand schools have encouraged students to bring their own laptops/tablets/smartphones, in a programme called Bring Your Own Device (BYOD).

The graph below shows the change in demand for laptop computers as a result of BYOD in New Zealand schools.

(a) On the graph below:

- label the new equilibrium price (P_{e1}) and the new equilibrium quantity (Q_{e1})
- label the resulting shortage/surplus at the original equilibrium.



(b) Use the graph above to complete the table below.

| | Before BYOD policy | After BYOD policy |
|--|---------------------------|--------------------------|
| Quantity consumers buy (annually) | _____ computers | _____ computers |
| Equilibrium price | \$ _____ | \$ _____ |
| Producer revenue (Show working) | \$ _____ | \$ _____ |

(c) Using the graph on page 4, fully explain the effect that the change in demand for laptops caused by BYOD would have on consumers and consumer spending.

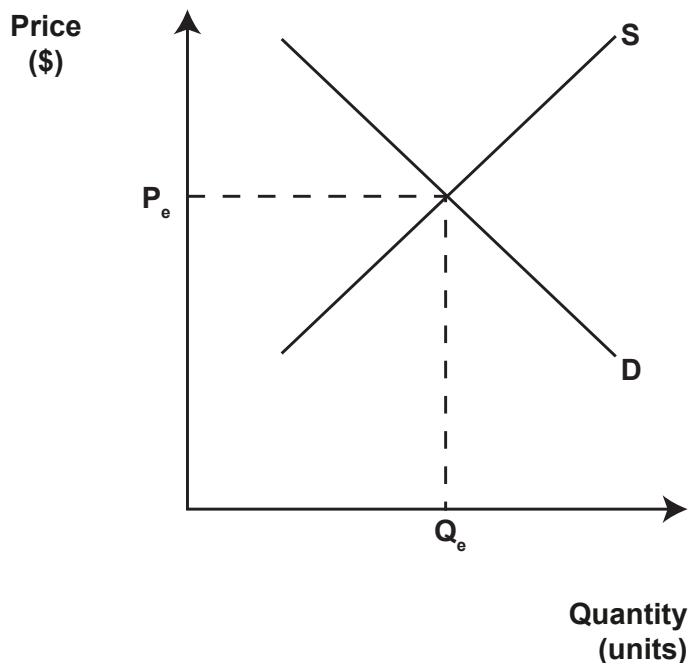
(d) Refer to your answers on page 4 to explain the **change in revenue** received by producers.



QUESTION THREE: TAX

New Zealand retailers feel disadvantaged when competing against overseas sellers of digital media, such as online books, movies, and music, as no tax is currently charged on these imported items. The New Zealand Government has proposed that a tax be charged on any digital media imported from overseas.

- (a) On the sketch graph below, show the effect of charging a tax on imported digital media by shifting the appropriate curve. Label the new curve.
- (b) Use dotted lines and labels to identify:
- the new equilibrium price (P_{e1}) and new equilibrium quantity (Q_{e1})
 - the new price received by overseas sellers of digital media (P_p).

New Zealand market for imported digital media (annually)

- (c) Using the graph above, fully explain how charging a tax on imported digital media would affect New Zealand consumers and overseas sellers of digital media.

In your answer, refer to:

- the effect on equilibrium quantity
- the change in price paid by consumers
- the change in price received by overseas sellers.

(d) Fully explain how charging a tax on imported digital media would affect New Zealand retailers of digital media.



