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Level 1 Economics, 2017

90985 Demonstrate understanding of producer choices using supply

9.30 a.m. Friday 10 November 2017
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 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.

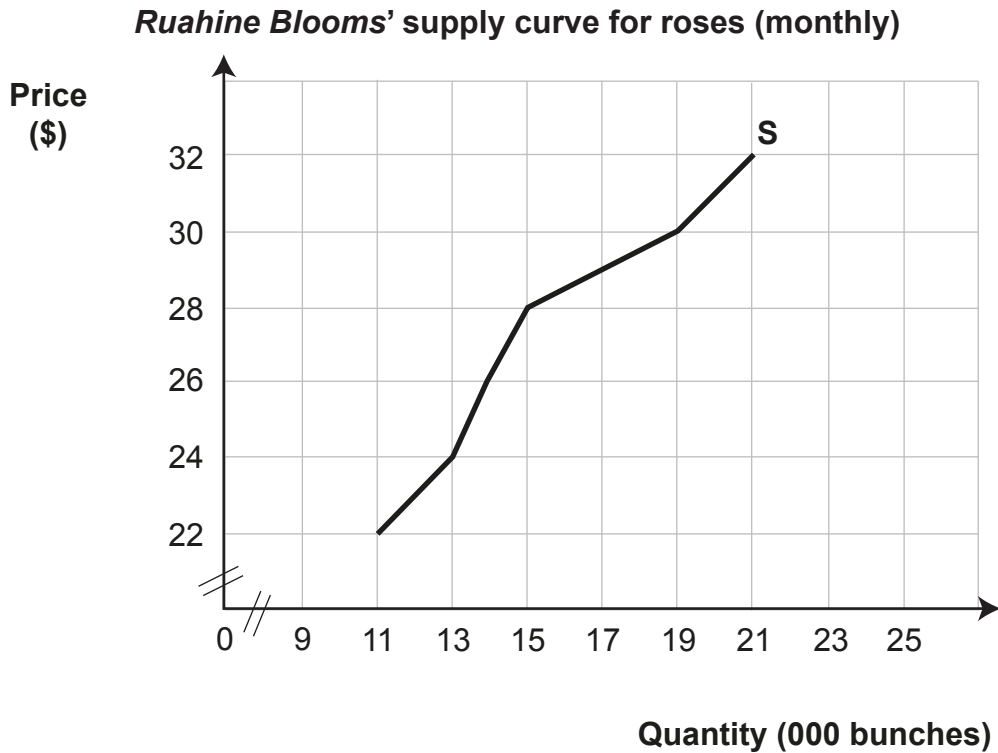
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

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QUESTION ONE: LAW OF SUPPLY

David is the owner of *Ruahine Blooms*, a large firm that grows roses and other flowers for the fresh cut flower market.



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

***Ruahine Blooms'* supply schedule for roses (monthly)**

Price (\$)	Quantity (000 bunches)

- (b) On the graph above:
- show the effect on the quantity of roses supplied if the price increased from \$24 to \$30 per bunch
 - fully label the changes in price and quantity.

- (c) Using the law of supply and information from the graph or table on page 2, fully explain the change in the quantity of roses supplied if the price increased from \$24 to \$30. In your answer, include the concept of *ceteris paribus*.

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- (d) Fully explain ONE flow-on effect that this change in price might have for *Ruahine Blooms*.

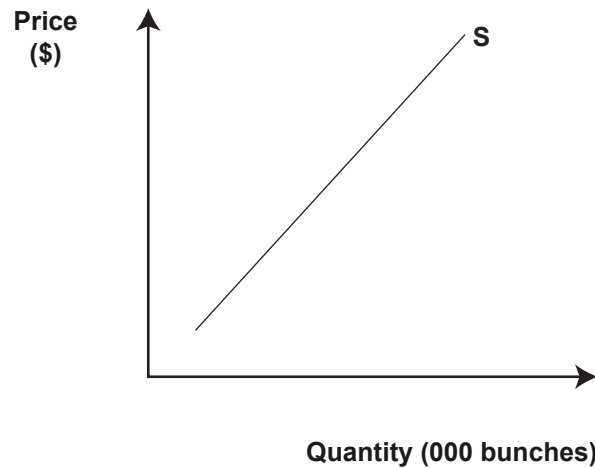
QUESTION TWO: NON-PRICE FACTOR

Ruahine Blooms also grows another type of flower, carnations.

- (a) Explain the economic relationship between roses and carnations for *Ruahine Blooms*.

- (b) On the sketch graph below, show how an increase in the price of roses could affect *Ruahine Blooms*' supply of carnations. Fully label all changes.

***Ruahine Blooms*' supply curve for carnations (monthly)**



- (c) Using the graph above, fully explain the impact of an increase in the price of roses on *Ruahine Blooms*' supply of carnations.

- (d) Fully explain ONE flow-on effect that an increase in the price of roses might have on *Ruahine Blooms*.

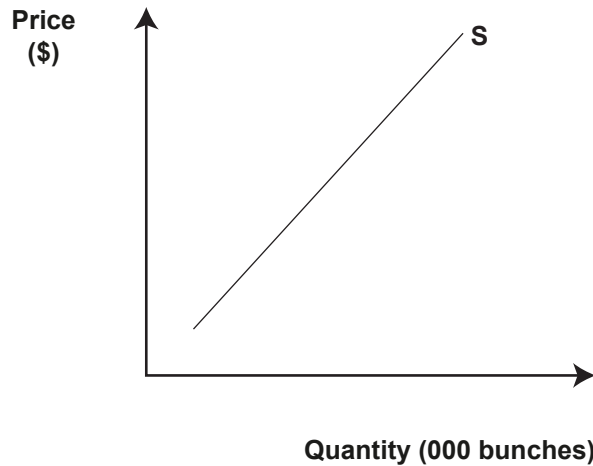
QUESTION THREE: TECHNOLOGY

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Ruahine Blooms has built a very large glasshouse with gas heating and a computer-controlled growing environment to guarantee reliable production. This controlled environment reduces the negative effects of weather and pests on the firm's roses.

- (a) On the sketch graph below, show how the new glasshouse is likely to affect *Ruahine Blooms'* supply of roses. Fully label all changes.

***Ruahine Blooms'* supply curve for roses (annually)**



- (b) Using the changes you made on the graph above, fully explain how the new glasshouse would likely affect *Ruahine Blooms'* supply of roses.

In your answer, fully explain how the new glasshouse could affect productivity, production, profitability, and the supply of roses.

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