

91224



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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

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SUPERVISOR'S USE ONLY

Level 2 Economics, 2017

91224 Analyse economic growth using economic concepts and models

2.00 p.m. Monday 20 November 2017
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Analyse economic growth using economic concepts and models.	Analyse economic growth in depth using economic concepts and models.	Analyse economic growth comprehensively using economic concepts and models.

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 2–12 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.

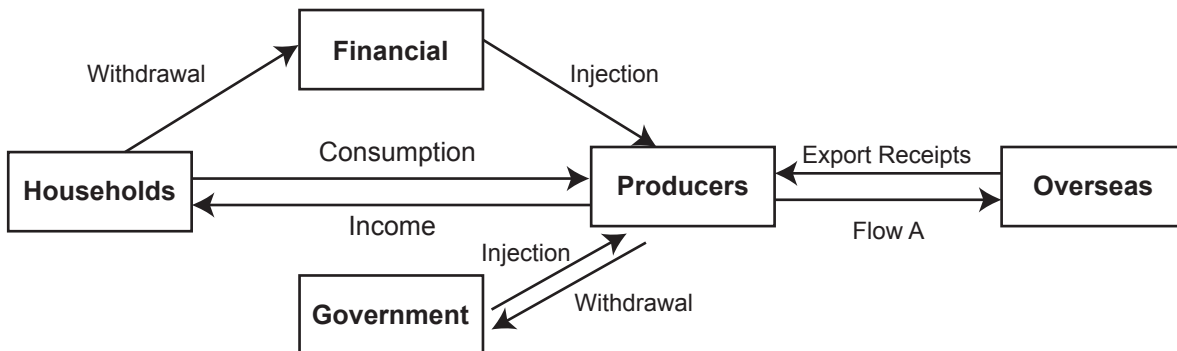
TOTAL

ASSESSOR'S USE ONLY

Our major trading partners are expected to experience economic growth on average of 3.5% in 2017, resulting in sustained increases in New Zealand export receipts.

Source (adapted): <http://www.treasury.govt.nz/budget/forecasts/befu2016/006.htm>

Model One: Circular flow model



(b) On Model One above:

(i) Identify and define money flow A.

(ii) Identify ONE injection and ONE withdrawal, excluding export receipts and flow A.

Injection: _____

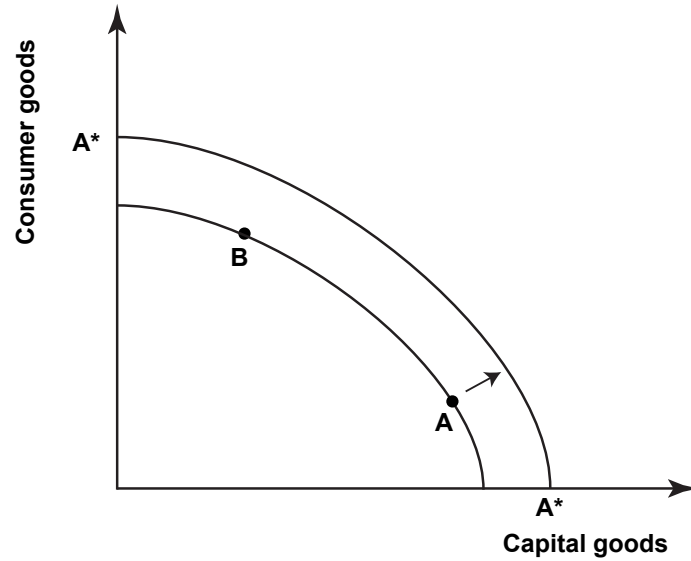
Withdrawal: _____

(iii) Discuss the impact of an increase in export receipts on economic growth. Fully explain:

- how the Producers and Households sectors in the Circular flow model are better off through the increase in export receipts
- why the increase in economic growth through export receipts may be less than expected because of withdrawals.

More answer space is available on the next page.

Graph Two: Production Possibility Frontier



A* represents the future PPF created by point A

- (b) (i) Fully explain the opportunity cost if New Zealand production shifts from A to B.

- (ii) On Graph Two, draw a future Production Possibility Frontier (labelled **B***) to show New Zealand operating at Point B.

- (iii) Using Graph Two, fully explain why the future Production Possibility Frontier (**B***) you have drawn shows a level of potential capacity different from the future Production Possibility Frontier (**A***) created by point A.
