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90983



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## Level 1 Economics, 2019

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

2.00 p.m. Tuesday 26 November 2019  
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 2–9 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: THE LAW OF DEMAND**

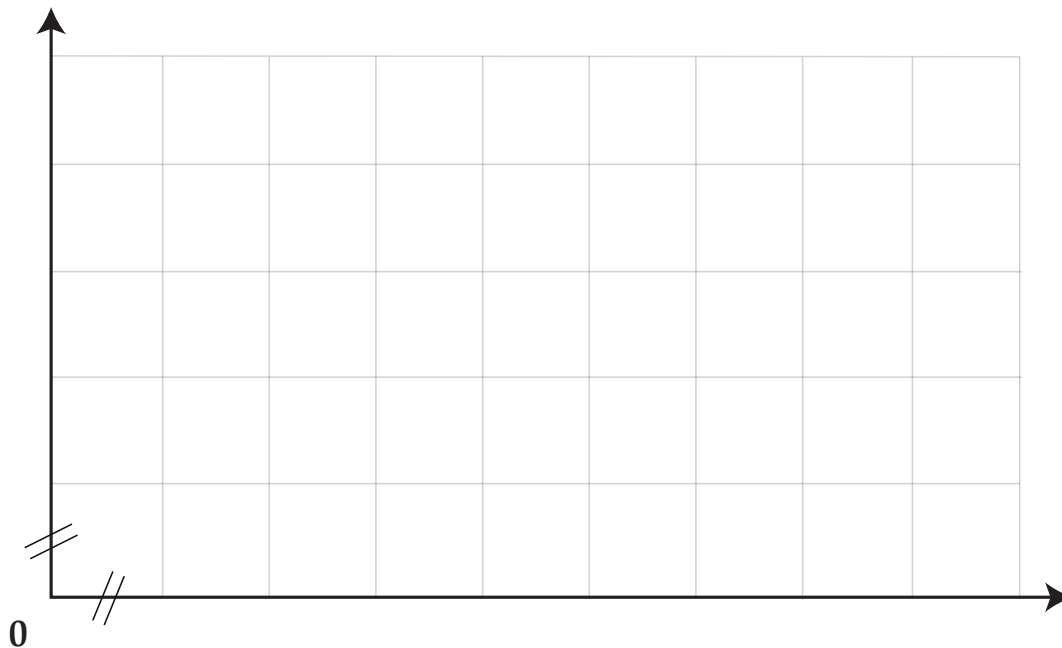
Harper is in her final year of university where she is studying food and nutrition. She would like to enter a weightlifting competition in the future, so she works out at a local gym when she has time. She knows that she needs to eat a diet that is high in protein, and chicken is her preference.

**Harper's weekly demand for chicken (kg)**

Price (\$ / kg)	Quantity (kg)
8	10
9	9
10	7
11	5
12	3

- (a) Use the information from the demand schedule above to draw a fully labelled demand curve.

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



- (b) On the graph above, show the effect on the quantity of chicken demanded if the price decreases from \$10 to \$9 per kilogram of chicken. Fully label all changes.

(c) Using the law of demand and the data from either the graph or the schedule on page 2, fully explain the change in Harper's demand for chicken when the price decreases from \$10 to \$9 per kilogram.

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(d) Fully explain TWO flow-on effects that this change in price would have for Harper.

(1) \_\_\_\_\_

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(2) \_\_\_\_\_

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One of Harper's subjects at university is about ethics. She learns that: "Battery-farmed chickens live their whole lives in cages, never see sunlight, are treated poorly and don't have enough room for natural behaviours like stretching their wings."

Harper still wants to eat chicken but she decides to only eat free-range chicken. These chickens are uncaged and can move freely outdoors. Battery-farmed chicken is generally cheaper to purchase than free-range chicken.

Sources (adapted):

<http://www.abc.net.au/news/rural/2018-02-20/protests-over-caged-eggs-have-farmers-worried/9461064>

[https://en.wikipedia.org/wiki/Free\\_range](https://en.wikipedia.org/wiki/Free_range)

(b) Define what is meant by the term 'values'.

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(c) What value did Harper demonstrate when she purchased battery-farmed chicken?

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(d) What value would Harper demonstrate if she decided to purchase free-range chicken?

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(e) Fully explain the conflict for Harper in choosing between battery-farmed and free-range chicken. Suggest a compromise to resolve this conflict.

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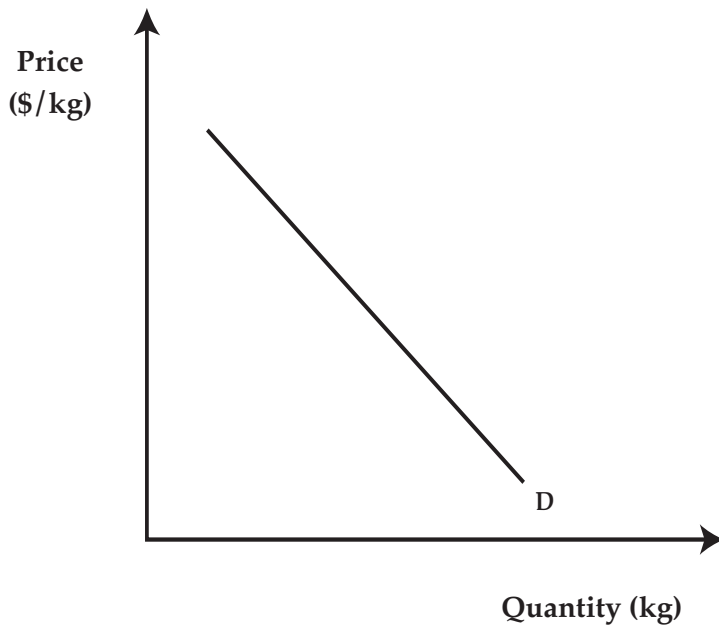
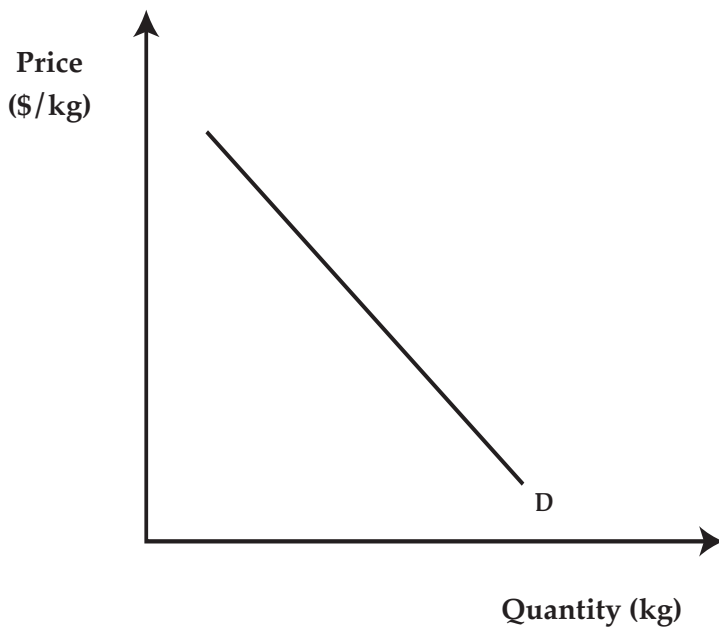


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**QUESTION THREE: CHANGE IN DEMAND**

Harper completes her university degree and starts a full-time job as a nutritionist. She now earns a good income.

- (a) On the graphs below, show how Harper's increase in income will affect her monthly demand for battery-farmed and free-range chicken. Fully label your changes.

**Harper's monthly demand curve for battery-farmed chicken****Harper's monthly demand curve for free-range chicken**

- (b) Battery-farmed chicken and free-range chicken are substitutes. Fully explain why they are substitutes.

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- (c) Use appropriate economic terms to explain battery-farmed and free-range chicken for Harper in relation to her income.

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- (d) Using data from the graphs in (a), on page 6, fully explain the effect of the increase in Harper's income on her monthly demand for free-range chicken.

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- (e) Fully explain ONE flow-on effect that the increase in Harper's income may have for her.

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