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Level 1 Economics, 2019

90985 Demonstrate understanding of producer choices using supply

2.00 p.m. Tuesday 26 November 2019
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 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 2–8 in the correct order and that none of these pages is blank.

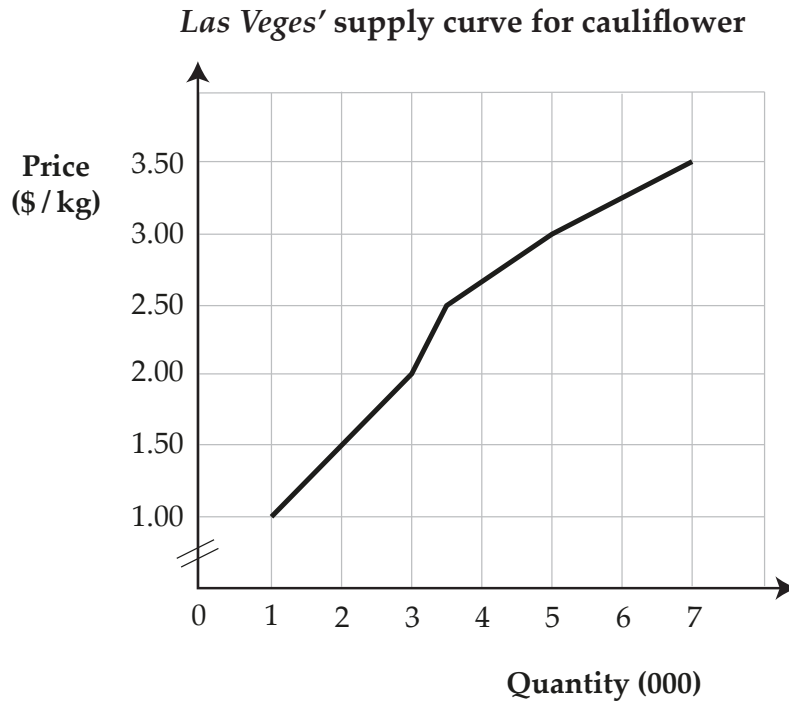
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

ASSESSOR'S USE ONLY

QUESTION ONE: THE LAW OF SUPPLY

Justin is the owner of *Las Veges*, which is a large vegetable business that specialises in growing cauliflower.



- (a) There are TWO errors on the supply graph above (assume numbers are all correct). State the errors below.

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

***Las Veges'* supply schedule for cauliflower (monthly)**

Price (\$/kg)	Quantity (000)
1.00	
1.50	
2.00	
2.50	
3.00	
3.50	

- (c) On the graph above, show the effect on the quantity of cauliflower supplied if the price decreases from \$3.00 to \$2.00. Fully label all changes.

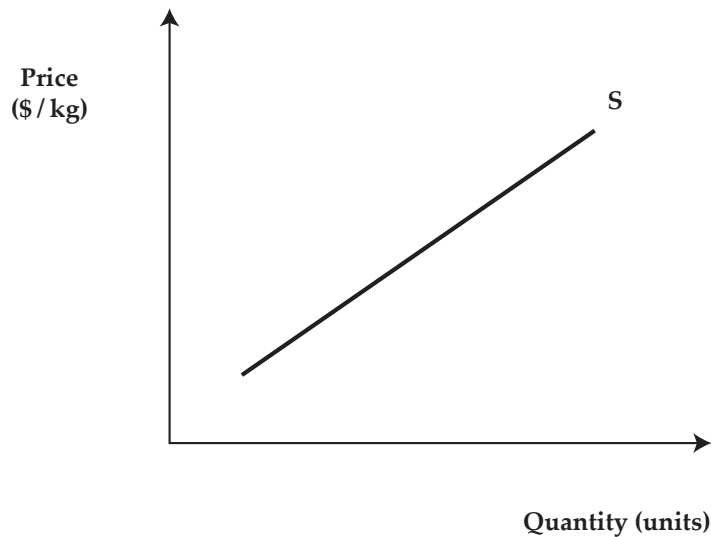
QUESTION TWO: RELATED GOODS

As well as growing cauliflower, *Las Veges* also grows broccoli.

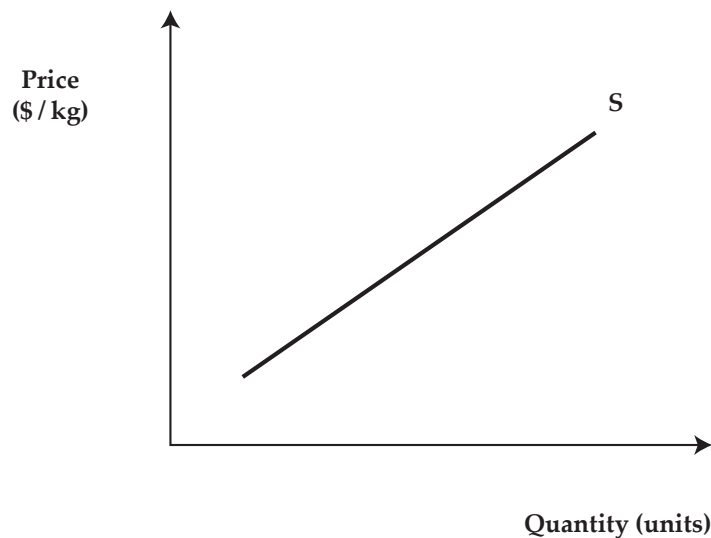
- (a) In the context of supply, fully explain the economic relationship between cauliflower and broccoli.

- (b) On the sketch graphs below, show how an increase in the price of broccoli affects *Las Veges'* supply of cauliflower. Fully label any changes.

Las Veges' supply of broccoli (per year)



Las Veges' supply of cauliflower (per year)



QUESTION THREE: NON-PRICE FACTORS

Many non-price factors can affect the decisions Justin makes on how he runs *Las Veges*.

- (a) Using the schedule below, match the industry example to the non-price factor by writing the letter in the correct box. An example has been completed for you.

Non-price factor	Industry example		Industry example
Environmental		A	Health and safety regulation to wear hair nets
Technological		B	New machinery
Cost of production	E	C	Earthquake
Restrictions on trade		D	New quota on importing fertiliser
Legal		E	Increased price of cauliflower seedlings

Heavy rain and flooding can cause problems for cauliflower crops. Too much rain can prevent the cauliflowers from growing, or cause the plants to rot.

Source (adapted): <https://www.stuff.co.nz/business/91643373/heavy-rain-and-flooding-cause-vegetable-shortages-rocketing-prices>

- (b) On the graph below, show how heavy rainfall is likely to affect *Las Veges*' supply of cauliflower. Fully label all changes.

