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90985



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Level 1 Economics 2020

90985 Demonstrate understanding of producer choices using supply

2.00 p.m. Monday 23 November 2020
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: Law of supply

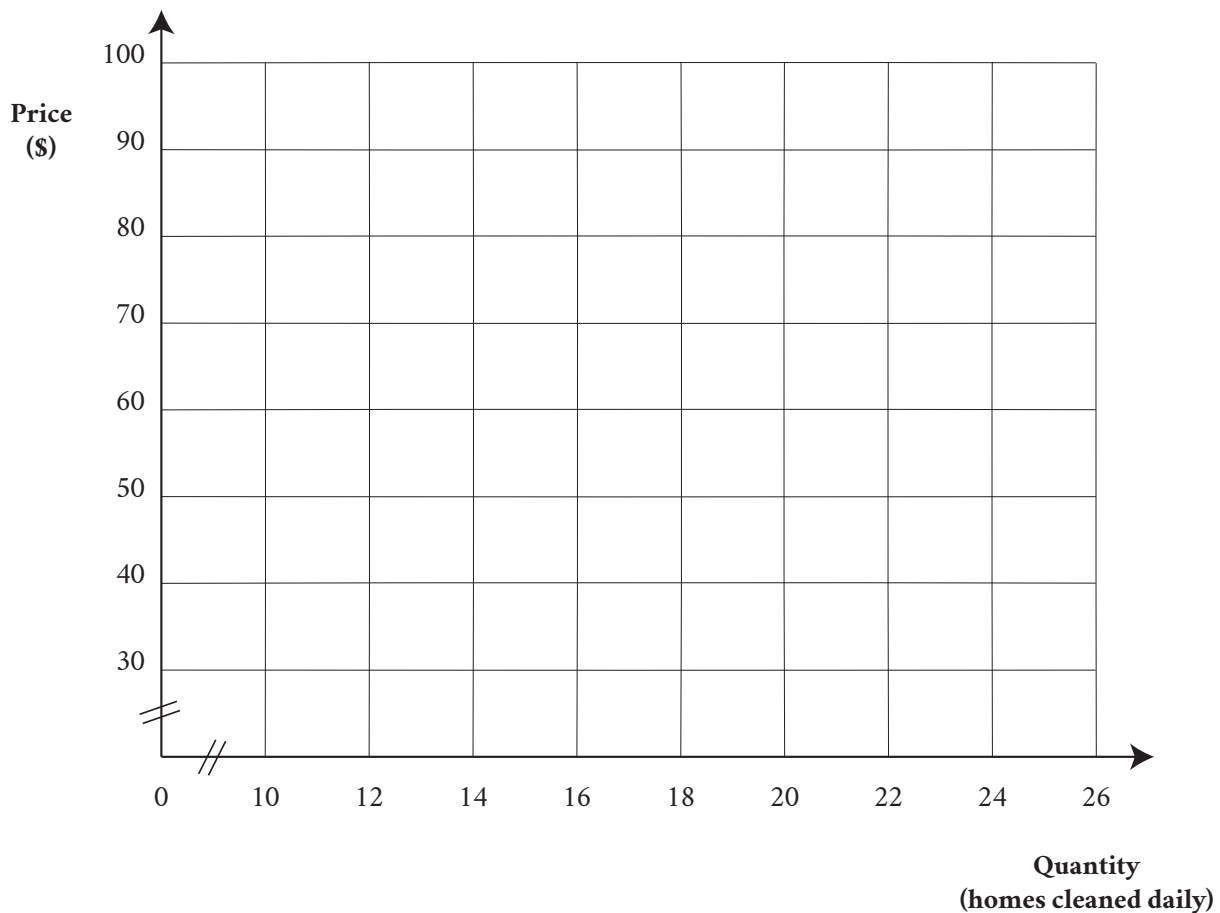
Craig is the owner of *Craig's Cleaners*, a cleaning business which focuses on cleaning inside homes. He employs five staff, who each have a company car, uniform and cleaning equipment.

Craig's Cleaners' daily supply of indoor home cleaning services

Price (\$/home)	Quantity (homes cleaned daily)
40	10
50	12
60	15
70	17
80	20
90	24

- (a) Using the information from the supply schedule, above, draw *Craig's Cleaners'* supply curve for indoor home cleaning services.

Title: _____



- (b) On the supply curve in part (a), show an increase in the price of indoor home cleaning services from \$50 to \$70. Fully label these changes.
- (c) Using the supply schedule and your completed graph, fully explain the effect on *Craig's Cleaners'* supply of home cleaning when the price to clean a home increases from \$50 to \$70.

In your answer:

- describe the law of supply
- explain the concept of *ceteris paribus* in the context of the law of supply
- fully explain a reason for the law of supply.

- (d) Fully explain TWO flow-on effects that this change in price might have on *Craig's Cleaners*.

(1) _____

(2) _____

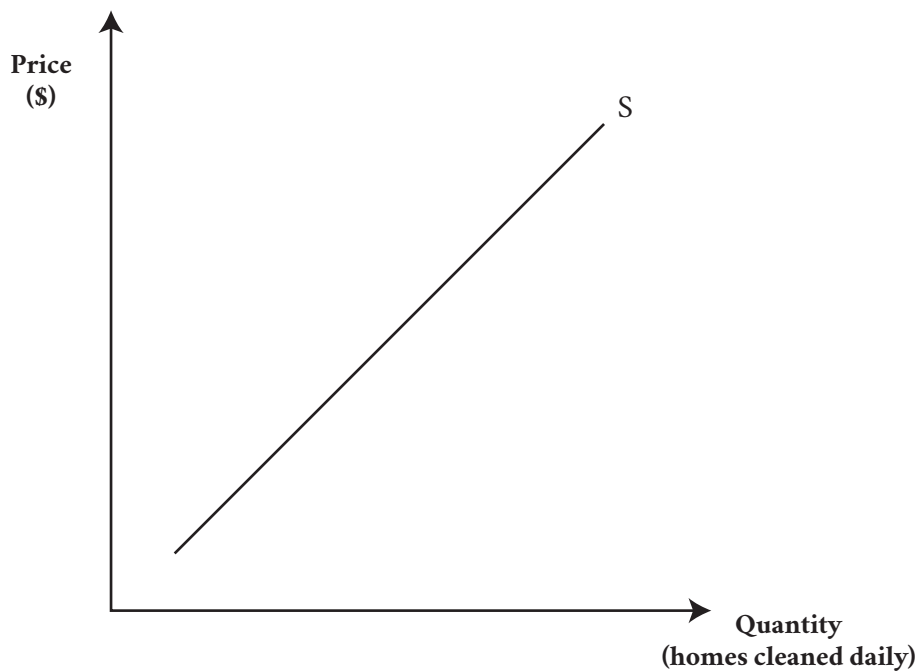
QUESTION TWO: Cost of production

Natural cleaning products clean your home without the unpleasant chemicals that can harm your family and your pets.

Craig has decided to switch to natural cleaning products. Although these natural products are more expensive than his current products, he believes they are better for the environment and less harmful to his staff and customers.

- (a) On the graph below, show how Craig's decision to switch to natural cleaning products is likely to affect *Craig's Cleaners'* supply of indoor home cleaning services.

Craig's Cleaners' daily supply of indoor home cleaning services



- (b) Fully explain how Craig's switch to natural cleaning products is likely to affect the supply of indoor home cleaning services. In your answer:
- link the change in cleaning products, profitability and the supply of indoor cleaning
 - refer to the changes you made on the supply curve above.

(c) Fully explain TWO flow-on effects of this change in supply on *Craig's Cleaners*.

(1)

(2)

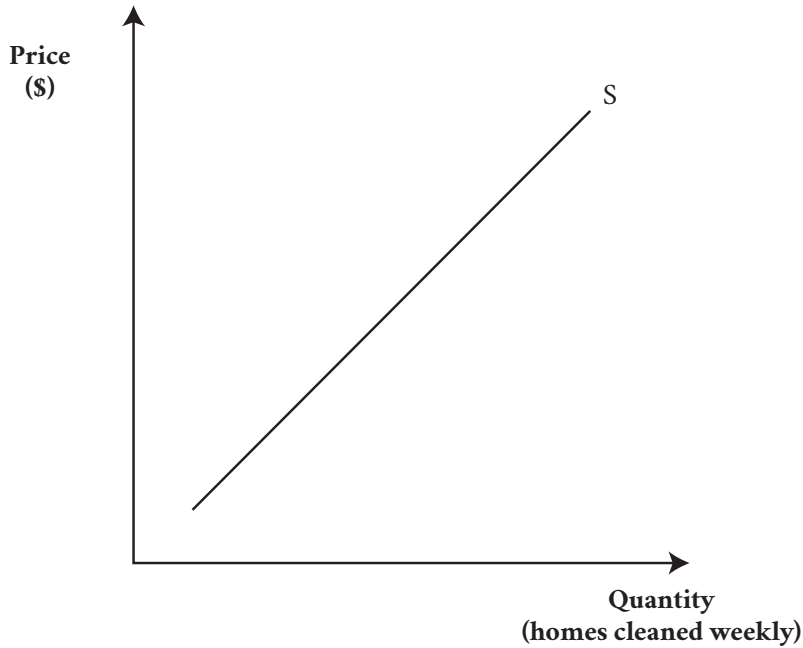
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QUESTION THREE: Technology and related services

Craig invests in powerful, high-speed vacuum cleaners that will decrease the time it takes to vacuum a house while maintaining *Craig's Cleaners'* high standard of cleaning.

- (a) On the graph below, show how the new technology is likely to impact on *Craig's Cleaners'* weekly supply of indoor home cleaning services. Fully label the changes you make on the graph.

Craig's Cleaners' weekly supply of indoor home cleaning services

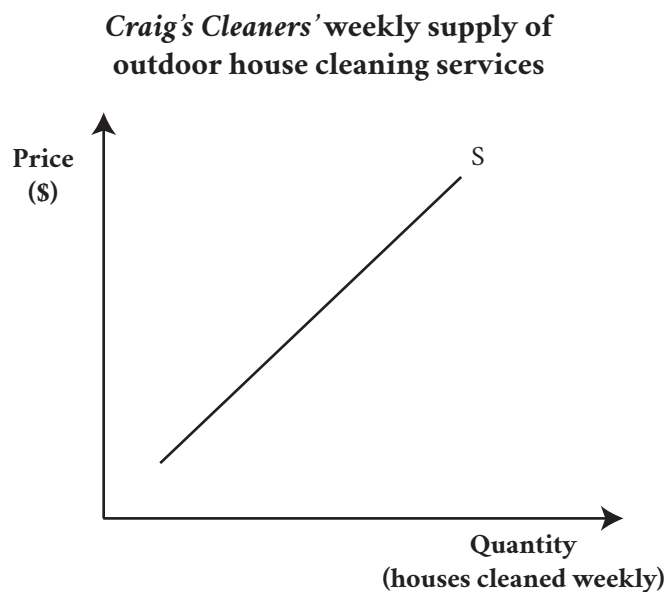


- (b) Fully explain the effect that the new technology is likely to have on *Craig's Cleaners'* supply of indoor home cleaning. In your answer, discuss:
 - the link between the new technology and productivity for *Craig's Cleaners*
 - the link between productivity and *Craig's Cleaners'* profitability.

Craig also owns the hoses and brushes required to clean the outside of houses, and his staff are trained to do this job.

- (c) Explain the economic relationship between indoor home cleaning and outdoor house cleaning.

- (d) On the graph below, show the effect of the new technology on *Craig's Cleaners'* weekly supply of outdoor house cleaning.



- (e) Use the graph in (d) to fully explain the link between the new technology and *Craig's Cleaners'* weekly supply of outdoor house cleaning services.
