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1

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Level 1 Economics 2022

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

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 2–8 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (///). This area may be cut off when the booklet is marked.

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

QUESTION ONE: Consumer choices

Sixteen-year-old Tama is a keen rugby player, plays for a local team, and trains regularly. He works part time at a store that sells sports shoes.

When choosing how to spend his income, Tama must decide whether to buy the latest shoes, pay for more training sessions at the gym, or to save it instead.

- (a) Define the term values.

- (b) If Tama decides to save his income, what value could he be demonstrating?

- (c) Name two other things that Tama values.

- (d) Explain the link between scarcity and Tama having to make choices. Refer to means, wants, and opportunity cost in your answer.

- (e) Explain a compromise to resolve the conflict identified in (d) on Page 2.

When Tama wants to buy new sports shoes, he can either choose the latest shoes on the market that are made with the best materials and offer superior results, or he could choose a cheaper, lower quality shoe.

- (f) State and define the economic term for the superior shoe.

- (g) Explain what would happen to Tama's demand for the type of shoe, if his income were to decrease.

QUESTION TWO: Law of demand

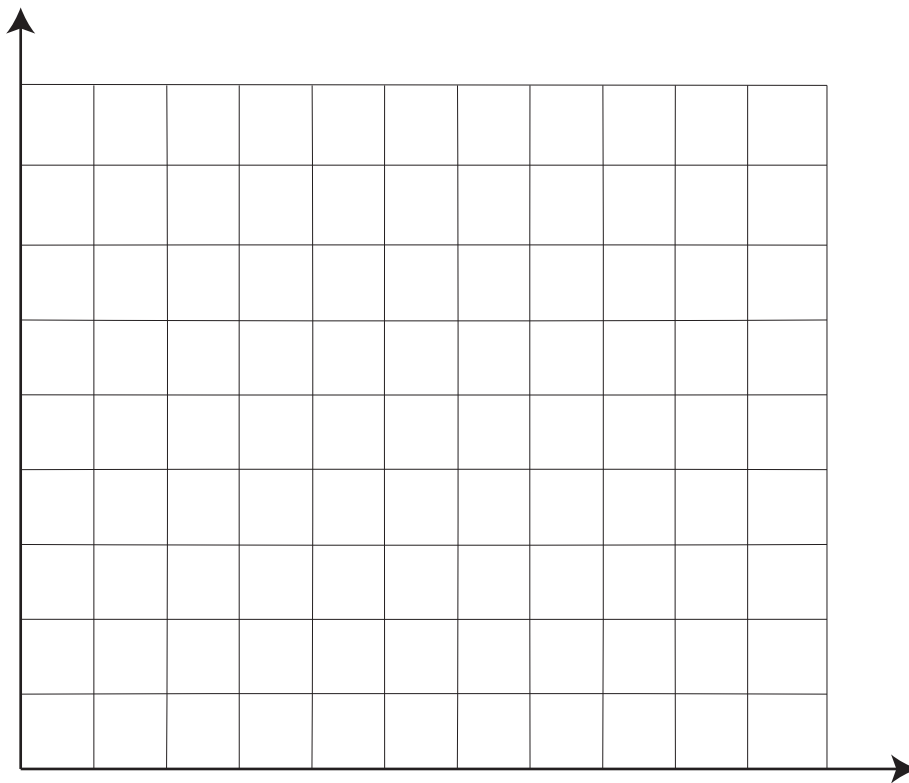
Tama buys rugby balls for his team to train with.

**Tama's annual demand schedule for
rugby balls**

Price per ball (\$)	Quantity (balls)
10	50
15	30
20	25
25	20
30	15
40	10

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

Title: _____



- (b) On the graph created in (a), show the effect on Tama's quantity demanded of balls if the price decreases from \$25 to \$15 per ball. Label your changes.

- (c) Explain how Tama's quantity demanded for rugby balls changes if the price decreases from \$25 to \$15 per ball. In your answer, discuss the reason for the law of demand and use the data and changes from the graph on page 4.

- (d) Explain TWO flow-on effects that this price decrease will have for Tama.

(1)

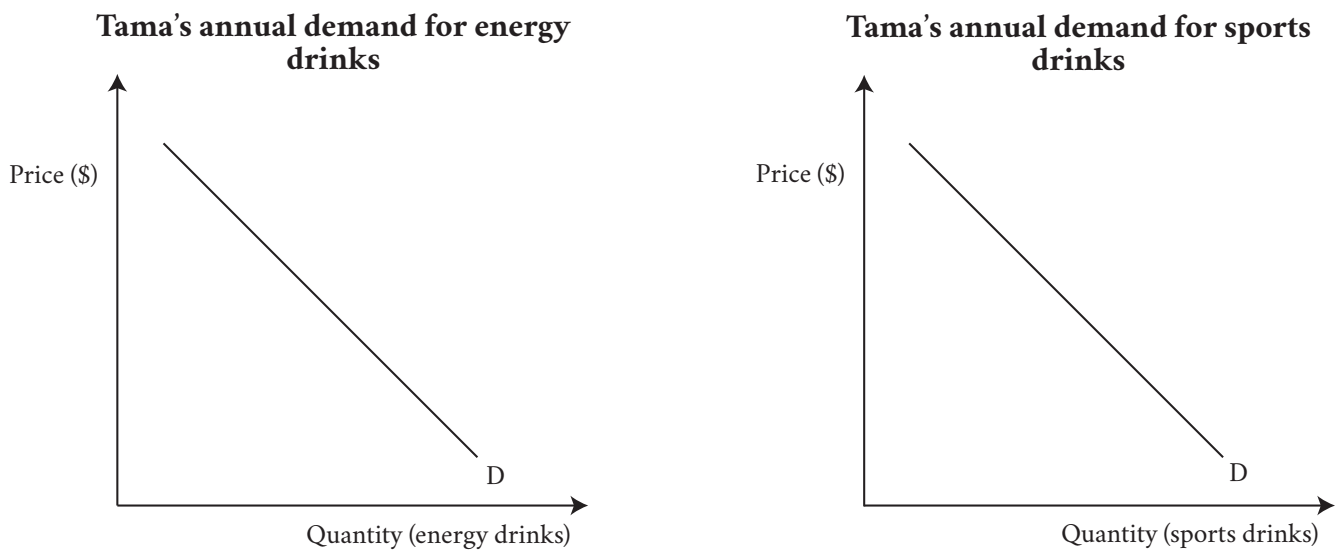
(2)

QUESTION THREE: Changes in demand

At rugby training, Tama likes to drink either a sports drink or an energy drink.
 (Sports drinks are high in sugar and replace glucose and electrolytes after exercise. Energy drinks contain caffeine and increase alertness.)

- (a) Explain the economic relationship between sports drinks and energy drinks. Include the definition of the relationship in your answer.

- (b) On the sketch graphs below, show how an increase in the price of energy drinks will affect Tama's annual demand for sports drinks. Label your changes.



- (c) Using the graphs in (b), explain the effect of the change in the price of energy drinks on Tama's annual demand for sports drinks.

(d) Explain TWO flow-on effects that this price increase will have for Tama.

(1)

(2)

**Extra space if required.
Write the question number(s) if applicable.**

QUESTION
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