

90985



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Level 1 Economics 2022

90985 Demonstrate understanding of producer choices using supply

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.

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.

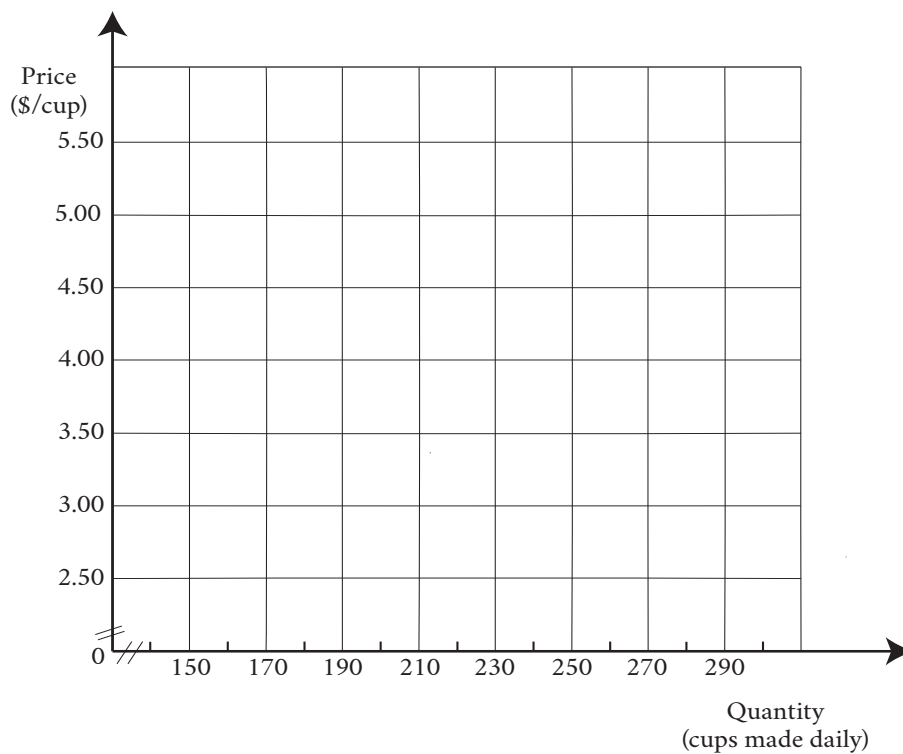
QUESTION ONE: The law of supply

Zihao's Café is a small independent cafe that specialises in offering a wide range of coffees to dine-in and takeaway customers.

***Zihao's Café's* daily supply of dine-in coffee**

Price (\$/cup)	Quantity (cups made/day)
2.50	150
3.00	190
3.50	220
4.00	240
4.50	270
5.00	290
5.50	295

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

***Zihao's Café's* daily supply curve for dine-in coffee**

- (b) On the graph created in (a), show the effect of a decrease in the price of dine-in coffee from \$5.00 to \$3.50. Label your changes.

- (c) Explain the impact of the price decrease from \$5.00 to \$3.50 on *Zihao's Café's* supply of dine-in coffee. In your answer use data from page 2 to describe the law of supply.

- (d) What does *ceteris paribus* mean in the context of *Zihao's Café's* supply of dine-in coffee? Include examples in your answer.

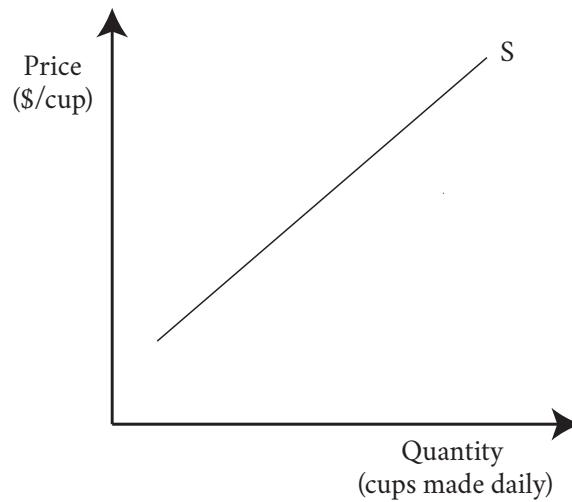
- (e) Explain a reason for the law of supply in the context of *Zihao's Café's* supply of dine-in coffee.

QUESTION TWO: External factors

Moving to higher COVID-19 levels has had an impact on *Zihao's Café*. The need for employees and customers to practise social distancing, wear face masks, and use hand sanitiser has affected productivity and costs of production.

- (a) On the graph below, show how the COVID-19 requirements above are likely to affect *Zihao's Café's* supply of dine-in coffee.

***Zihao's Café's* daily supply of dine-in coffee**



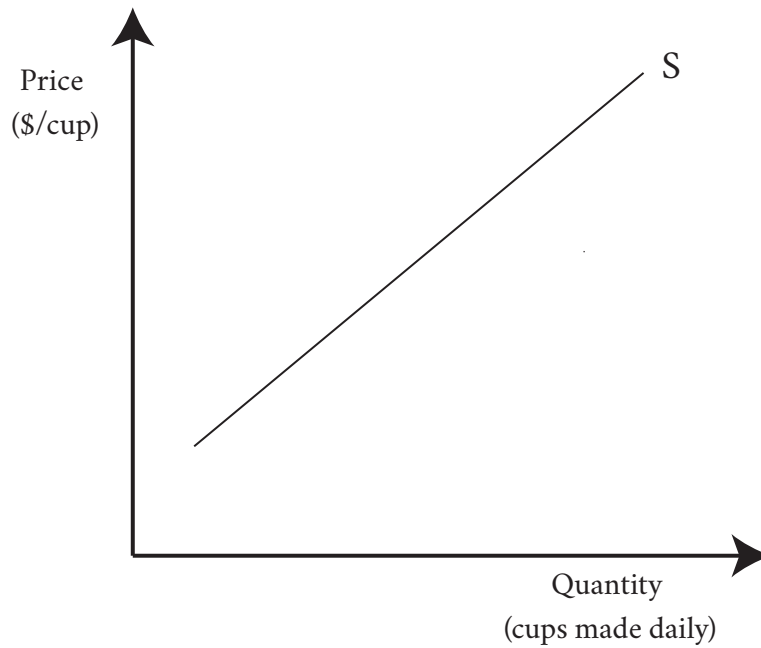
- (b) Explain how social distancing by employees and customers will impact productivity.

QUESTION THREE: Technology and related goods

Zihao's Café decides to invest in click and collect technology, allowing customers to order takeaway coffee online and pick up from a collection point outside the café.

- (a) On the graph below, show how click and collect technology is likely to affect *Zihao's Café's* supply of takeaway coffee.

***Zihao's Café's* daily supply of takeaway coffee**

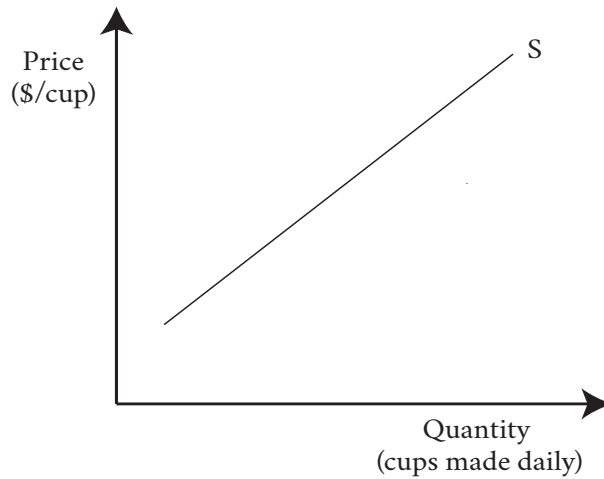


- (b) Explain the impact that click and collect technology will have on the profitability and supply of takeaway coffee.

As the number of cases drops, COVID-19 restrictions are lifted and more customers come to *Zihao's Café* to enjoy a dine-in coffee with friends and whānau. This results in an increase in the price of dine-in coffee.

- (c) On the graph below, show how an increase in the price will affect *Zihao's Café's* supply of dine-in coffee.

***Zihao's Café's* daily supply of dine-in coffee**



- (d) Explain, using examples, why takeaway coffee and dine-in coffee are related goods.

- (e) Explain how an increase in the price of dine-in coffee will affect *Zihao's Café's* supply of takeaway coffee.

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

QUESTION
NUMBER

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