SUPERVISOR'S USE ONLY

3

91399

913990

Draw a cross through the box (☒) if you have NOT written in this booklet

+

NZQA | Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Economics 2026

91399 Demonstrate understanding of the efficiency of market equilibrium

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of the efficiency of market equilibrium.	Demonstrate in-depth understanding of the efficiency of market equilibrium.	Demonstrate comprehensive understanding of the efficiency of market equilibrium.

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 2–16 in the correct order and that none of these pages is blank.

Do not write in the margins (////). This area will be cut off when the booklet is marked.

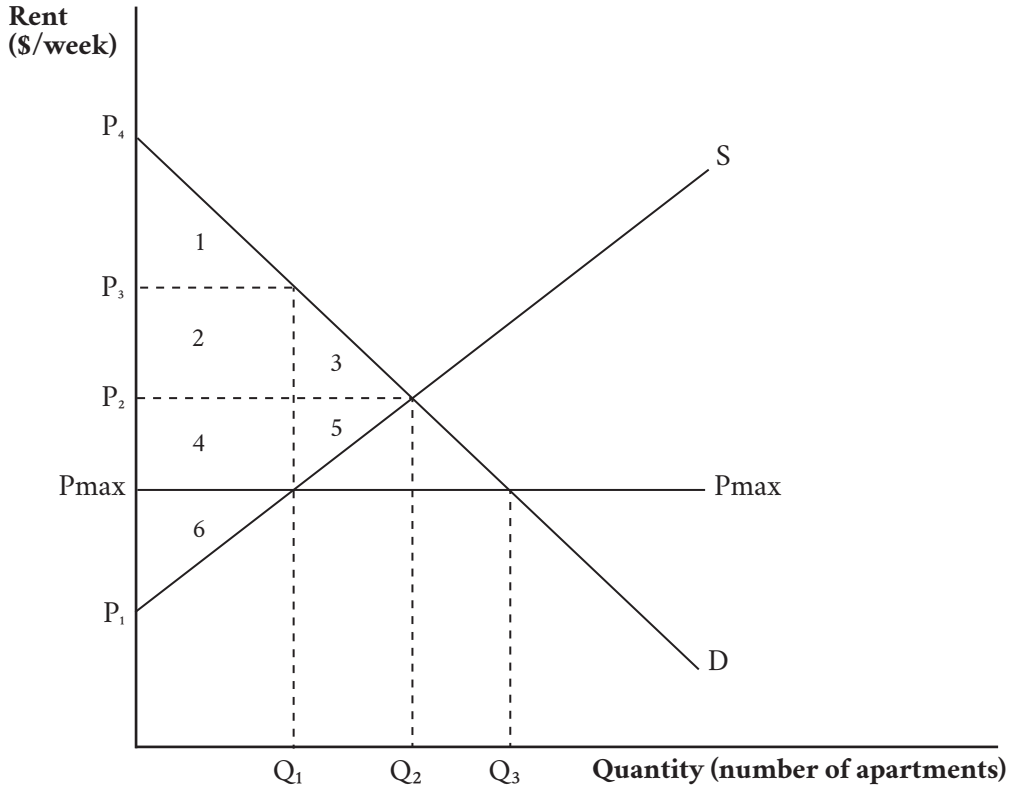
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

© New Zealand Qualifications Authority, 2026. All rights reserved.
No part of this publication may be reproduced by any means without the prior permission of the New Zealand Qualifications Authority.

QUESTION ONE: The housing market and maximum price control

There are not enough rental homes for everyone who needs one. The Government could introduce a maximum price control on rent for one-bedroom apartments to help people on low incomes rent a home.

Graph One: The market for one-bedroom rental apartments – impact of maximum price control



Refer to Graph One in your answer to part (a) below.

(a) Explain whether the rental market would create a surplus or a shortage because of a maximum price control. In your answer, include a potential consequence of a maximum price control, and state whether equilibrium would be restored.

(b) Complete Table One below by using the numbers in Graph One to identify the changes in surpluses and deadweight loss.

Table One

	Before maximum price control	After maximum price control
Consumer surplus		
Producer surplus		
Deadweight loss		

Refer to Graph One and Table One in your answer to part (c) below.

(c) Explain the impact the maximum price control might have on the following:

Tenants (renters)

Part (c) continues over ➤

Property owners (landlords)

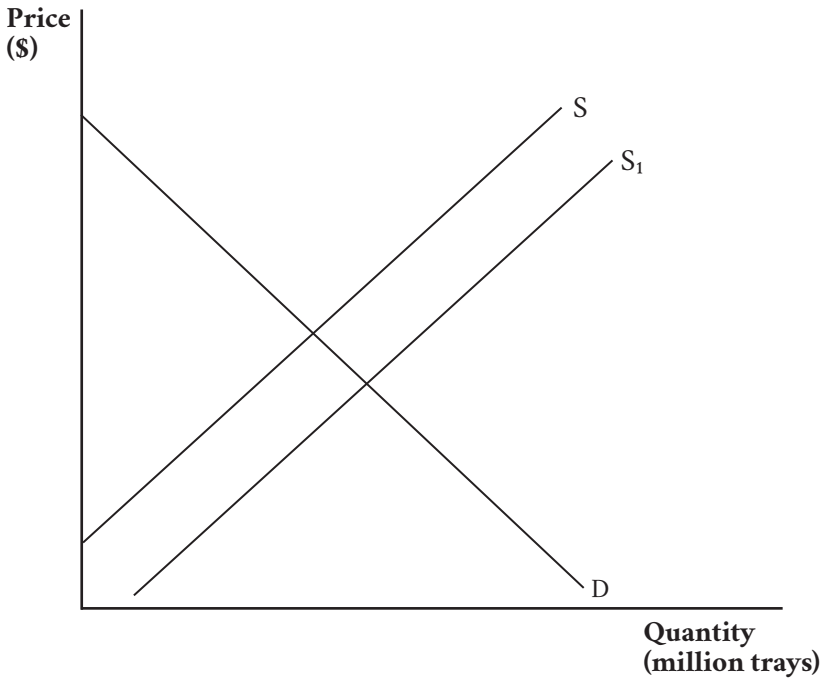
Allocative efficiency

This page has been deliberately left blank.
The assessment continues on the following page.

QUESTION TWO: The kiwifruit market and international trade

Recent breakthroughs in automated harvesting technology, such as AI-driven robotic pickers, have reduced the cost of harvesting kiwifruit, allowing more orchards to enter the market.

Graph Two: The New Zealand domestic kiwifruit market without international trade



(a) (i) Using dotted lines and labels, complete Graph Two above to show the:

- original equilibrium price (Pe) and quantity (Qe) before the increase in supply
- new equilibrium price (P_1) and quantity (Q_1) after the increase in supply
- quantity demanded (Qd), quantity supplied (Qs), and the resulting shortage or surplus at the original equilibrium price (Pe) after the increase in supply.

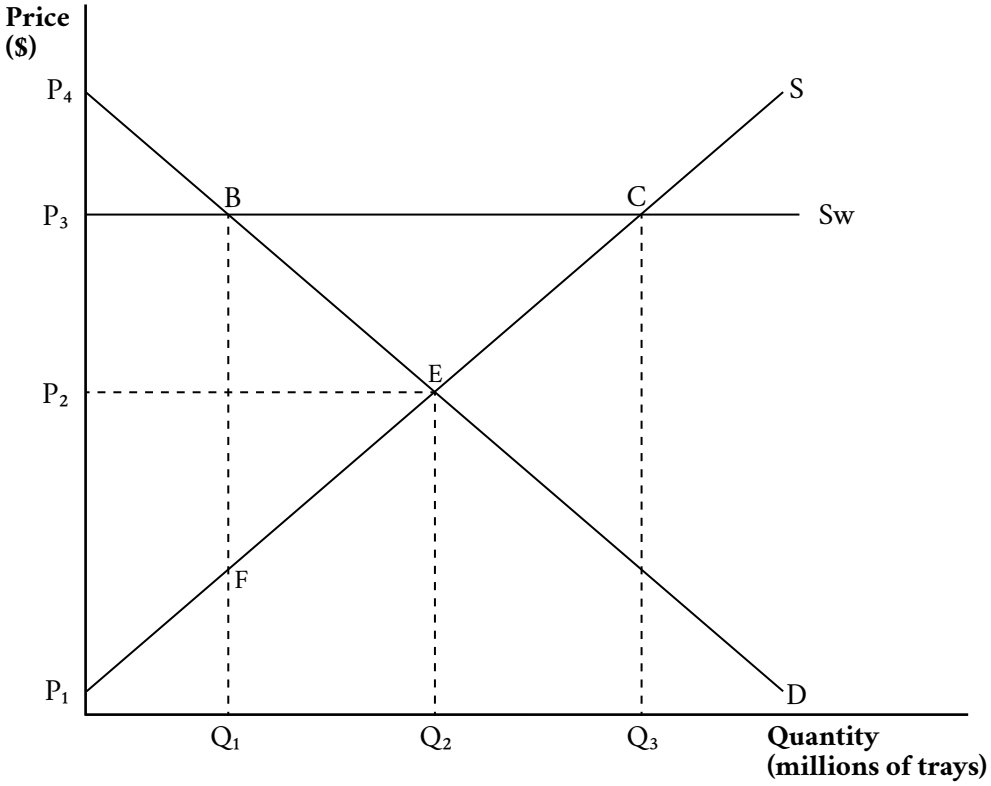
Refer to Graph Two and your answers to part (i) on page 6 in your answer to part (ii) below.

(ii) Explain how market forces would restore equilibrium in the domestic kiwifruit market following the increase in supply.

Question Two continues over ➤

New Zealand's high quality kiwifruit are highly valued in Europe and Asia. Their world price is higher than the domestic equilibrium price.

Graph Three: The New Zealand kiwifruit market with international trade



(b) (i) Complete Table Two below by using the labels in Graph Three to identify the changes in prices and quantities.

Table Two

	Before trade	After trade
Price New Zealand consumers pay		
Price New Zealand growers receive		
Quantity consumed by New Zealand consumers		
Quantity sold by New Zealand growers		

(ii) Complete Table Three below by using the labels in Graph Three on page 8 to identify the changes in surpluses and allocative efficiency. State whether each has increased or decreased because of international trade.

Table Three

	Change	**Increase or decrease**
Consumer surplus		
Producer surplus		
Allocative efficiency		

Refer to Graph Three and Tables Two and Three in your answer to part (iii) below.

(iii) Explain the impact of international trade on the following:

New Zealand consumers

Part (iii) continues over ➤

New Zealand producers

Allocative efficiency

This page has been deliberately left blank.
The assessment continues on the following page.

QUESTION THREE: Indirect tax and price elasticity of supply

When prices rise due to an indirect tax, the price elasticity of supply can determine the tax burden felt by consumers and producers, while the price elasticity of demand is unchanged.

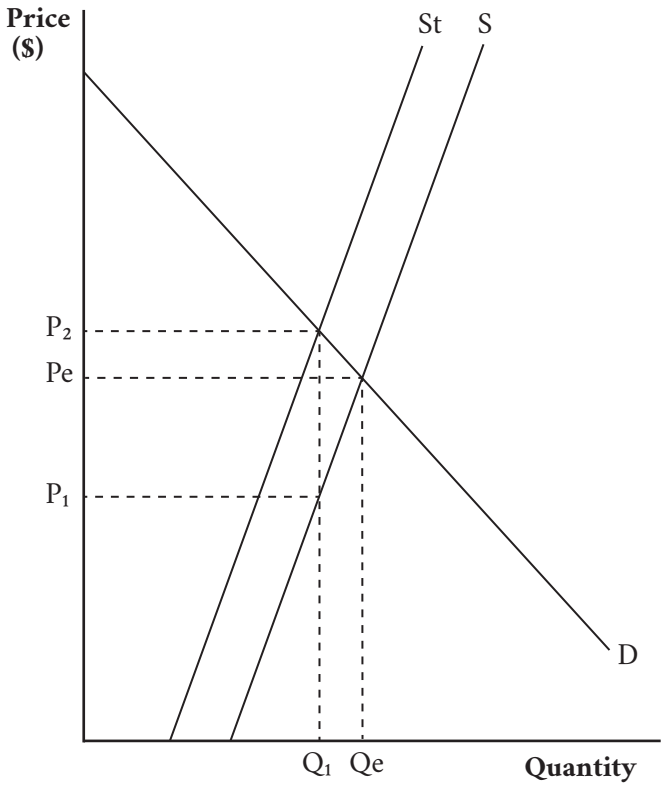
In the short run, supply is typically price inelastic, and in the long run, supply becomes price elastic.

Graphs Four and Five below show an equal amount of per unit indirect tax placed on a product.

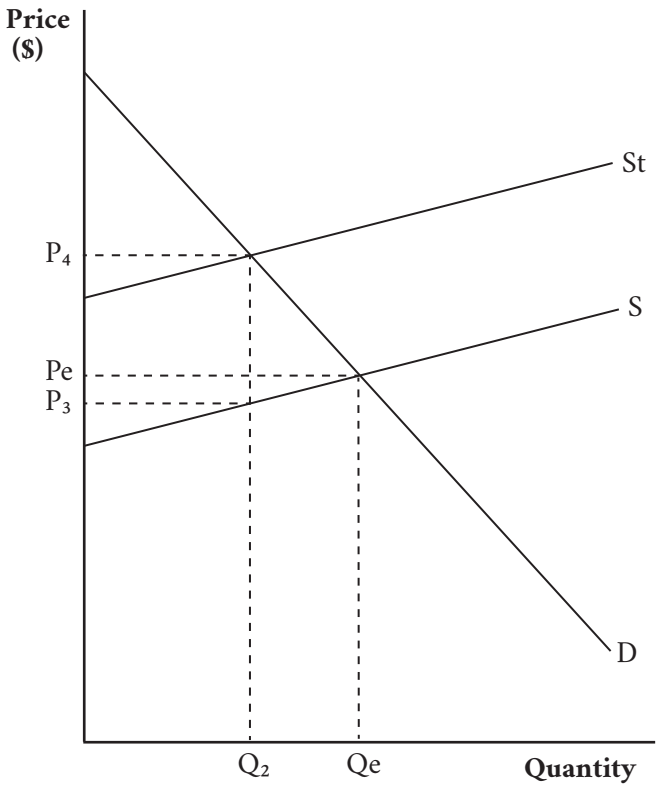
Graph Four shows the effect of the indirect tax on a product with price inelastic supply and the producer operating in the short run.

Graph Five shows the effect of the indirect tax on a product with price elastic supply and the producer operating in the long run.

Graph Four: Price inelastic supply



Graph Five: Price elastic supply



(a) (i) Complete Graphs Four and Five by:

- shading (▨) and labelling the decrease in consumer surplus
- shading (⁘) and labelling the decrease in producer surplus
- labelling the deadweight loss ABC on Graph Four and DEF on Graph Five.

(ii) Define price inelastic supply and price elastic supply. In your answer, include the significance of the short-run and long-run periods.

Question Three continues over ➤

Refer to Graphs Four and Five on page 12 and your changes to them in your answer to part (b) below.

(b) Compare and contrast the effects on consumers and producers of an indirect tax placed on markets with price inelastic supply (short run) and price elastic supply (long run).
In your answer, include consumer surplus, producer surplus, and the concept of incidence of tax.

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

QUESTION NUMBER

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

QUESTION NUMBER