***Educating Young People Who Will Be***



***Significantly Different***

NAME CLASS

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| **Level 1 Economics, 2016**  **90983 Demonstrate understanding of consumer choices, using scarcity and/or demand** |

**Credits: Four**

| **Achievement** | **Achievement with Merit** | **Achievement with Excellence** |
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| * 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. |

You should answer all questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 1 – 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**

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| **Total** | |  |
|  | Assessors use only | |

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**Question ONE**

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| Pene is a year 11 student. She has an after school job as a checkout operator at the local supermarket for two hours per day. Pene likes to spend her spare time listening to music or playing games on her phone that she has downloaded from the app store. |

1. Complete a fully labelled demand curve from the information below.

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| **Pene’s monthly demand for song downloads** | |
| **Price ($/song)** | **Quantity of songs** |
| 1.00 | 50 |
| 1.20 | 45 |
| 1.40 | 40 |
| 1.60 | 35 |
| 1.80 | 25 |
| 2.00 | 15 |

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1. On the graph above show the effect of an increase in the price of music downloads from $1.40 to $1.80 per song. Fully label any changes.

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1. Fully explain the effect on Pene’s demand for music downloads of the increase in price from $1.40 to $1.80 per song. In your answer:

* fully explain the law of demand using data from the previous page
* fully explain **TWO** reasons for the change in the number of songs downloaded
* fully explain **TWO** flow-on effects for Pene of the price change

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**Question TWO**

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| Suppose the app store decreased the price of games. |

1. Show on the graphs below the effect of the **decrease in the price of games** on Pene’s demand for games **and** her demand for songs.

**Pene’s Demand for Games**

**Price ($)**

**Quantity**

**D**

Games

**Pene’s Demand for Songs**

Songs

**Price ($)**

**Quantity**

**D**

| Assessor use only |
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1. Discuss the effect of a decrease in the price of games on the demand for songs. In your answer you should:

* explain the relationship between games and songs in the context of Pene
* explain the effect of a decrease in the price of games on Pene’s **demand for games**
* explain the effect of a decrease in the price of games on Pene’s **demand for songs**
* explain two flow-on effects that this change in demand may have for Pene
* refer to the graphs you drew on the previous page

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**QUESTION THREE**

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| As well as her part-time job, playing games and listening to music, Pene needs to complete her homework. Pene also likes playing with her baby brother and is now old enough to babysit him for her parents, giving them some free time. |

1. Discuss how time is a limited resource for Pene. In your answer:

* link the economic ideas of limited means, choice and opportunity cost
* refer to the resource material above in your answer

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1. Discuss how Pene’s values determine how she spends her time. In your answer:

* explain what is meant by values
* explain a decision that Pene might make about her time if she values gaming
* explain a decision that Pene might make about her time if she values family/whanau
* explain how these values cause a conflict for Pene
* fully explain a compromise that Pene could make to resolve this conflict and how this compromise satisfies each of her values
* refer to the resource material in your answer

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| **Extra paper for continuation of answers if required.**  **Clearly number the question** | |
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