***PALMERSTON NORTH BOYS HIGH SCHOOL***

***END OF YEAR EXAMS***

NAME CLASS

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| **Level 1 Economics, 2015****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.
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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 – 10 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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You are advised to spend one hour answering the questions in this booklet.

**Question One: CONSUMER CHOICE**

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| Arianna is a 16 year old high school student who has many interests. She loves all things French and is currently taking extra French language classes with a local retired teacher. Her intention is to pursue a career as a foreign diplomat based in France. She has a part time job at the local bakery and she is saving to go to France next year as an exchange student. Arianna also played netball in previous seasons but is not sure she can fit it in this year if she decides to continue with the language lessons after school.  |

Complete (a) and (b) to **fully explain** how scarcity and values affect Arianna’s consumer choice.

1. Discuss how Arianna’s use of her time will involve an opportunity cost. In your answer, you should refer to the resource material above and link the following.
* wants
* limited means
* choice
* opportunity cost

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| Arianna also enjoys spending time at home with her two younger sisters and parents.  |

1. Discuss how Arianna’s values determine her decisions regarding to her use of time.

In your answer, you should explain:

* ONE value Arianna may hold when she decides to spend time with her family
* ONE value Arianna may hold when she decides to spend a year in France as an exchange student
* how Arianna’s values are conflicting
* TWO possible compromises Arianna might make to resolve this conflict

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**Question two: LAW OF DEMAND**

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| Arianna is very fond of French food and especially croissants, despite knowing that these contain a lot of butter as she helps make them at the bakery where she works.  |

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| **Arianna’s weekly demand for Croissants** |
| **Price ($)** | **Quantity of croissants demanded**  |
| 1.50 | 9 |
| 2.00 | 7 |
| 3.00 | 5 |
| 3.50 | 2 |
| 4.00 | 1 |

Complete questions (a) to (c) to fully explain the law of demand using the context of the Arianna’s demand for croissants.

1. Complete a fully labelled demand curve using the information above.

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1. On the graph on the previous page show the effect of a decrease in the price of croissants from $3.50 to $3.00. Fully label your changes.
2. Discuss the law of demand by referring to Arianna’s demand for croissants.

In your answer:

* describe the law of demand using data from the previous page
* fully explain, with TWO reasons, why the quantity of croissants demanded by Arianna changes as the price of croissants decreases (refer to substitute goods)
* fully explain TWO flow on effects the change in price will have for Arianna

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**Question THREE: CHANGES IN DEMAND**

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| Arianna has always found the best thing to have with a croissant is a hot chocolate. |

Complete (a) – (b) to **fully explain** the economic relationship between croissants and hot chocolate in the context of Arianna’s demand

1. On the graph below, show how a **decrease in the price of croissants** may affect Arianna’s demand for **hot chocolate.**

**Arianna’s weekly demand for Hot Chocolate**

D

Quantity (cups)

Price

($)

| Assessor use only |
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1. Discuss how the decreased price of croissants might affect Arianna’s demand hot chocolate.

In your answer:

* explain the economic relationship between croissants and hot chocolate
* explain the effect on Arianna’s demand for hot chocolate when the price of croissants decreases
* refer to the graph on the previous page
* fully explain TWO flow on effects that the change in **demand for Hot Chocolate** might have for **Arianna.**

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**QUESTION FOUR: CHANGE IN INCOME**

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| Arianna’s parents share her passion for French food and culture and have been planning a family holiday for later in the year. While they have always dreamt of a holiday in Paris, they have considered their budget carefully and initially opted for Akaroa, a small village near Christchurch. The village was originally settled by the French and is considered to be the most French town in New Zealand. Arianna’s mother has just learned that she has received a promotion at work, which includes a considerable increase in her salary, so they are reconsidering their options. |

Discuss the effect an increase in the family’s income would have on their demand for holiday travel to Akaroa or Paris.

In your answer, you should:

* use appropriate economic terms to describe different types of holiday travel options available to Arianna and her family
* explain how their demand for holiday travel might change
* explain why their demand for holiday travel might change
* fully explain ONE flow-on effect this change in demand might have for Arianna’s future career as a diplomat in France.

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