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

 ***Significantly Different!***

NAME CLASS

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| **Level 1 Economics, 2014****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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| David is a 15 year old high school student who likes to play basketball and hockey in the winter. He also spends a lot of time gaming with his friends online, using his PlayStation console and his family’s wireless network. To pay for his heavy data usage and the occasional new game David has a paper round delivering the community newspaper three nights a week. |

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

1. Discuss how David’s use of his time **and** money 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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| David has found that there has been a big increase in the time required for homework and study this year, and there is simply not enough time for him to study, play sport and game with his friends on his PlayStation.  |

1. Discuss how David’s values determine his decisions regarding to his use of time.

In your answer, you should explain:

* ONE value David may hold when he decides to spend time gaming
* ONE value David may hold when he decides to spend more time on his studies
* how David’s values are conflicting
* TWO possible compromises David might make to resolve this conflict

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**Question two: LAW OF DEMAND**

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| David is very fond of strawberries, and when they are in season he often uses some of his paper round money to buy a box of strawberries on his way to school. Shown below is his demand schedule for strawberries. |

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| **David’s weekly demand for Strawberries** |
| **Price ($ per box)** | **Quantity of boxes demanded**  |
| 1.75 | 7 |
| 2.00 | 5 |
| 2.25 | 3 |
| 2.50 | 2 |
| 3.00 | 1 |

Complete questions (a) to (c) to fully explain the law of demand using the context of the David’s demand for boxes of strawberries.

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 strawberries from $2.50 per kg to $2.00 per box. Fully label your changes.
2. Discuss the law of demand by referring to David’s demand for strawberries.

In your answer:

* describe the law of demand using data from the previous page
* fully explain, with TWO reasons, why the quantity of strawberries demanded by David changes as the price of strawberries increases
* name a substitute good David may buy, and fully explain how the decrease in the price of strawberries may have a flow effect on David’s demand for the substitute good

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**Question THREE: CHANGES IN DEMAND**

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| David finds that when he purchases PlayStation games more frequently, he spends more time playing online with his friends, so he tends to need more data on his broadband account. |

Complete (a) – (b) to **fully explain** the economic relationship between PlayStation games and broadband data in the context of David’s demand

1. On the graph below, show how a **decrease in the price of PlayStation games** may affect David’s demand for **broadband data.**

**David’s monthly demand for Broadband Data**

D

Quantity (GB’s data)

Price

($)

| Assessor use only |
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1. Discuss how the decreased price of PlayStation games might affect David’s demand for broadband data.

In your answer:

* explain the economic relationship between PlayStation games and broadband data
* explain the effect of on David’s demand for broadband data when the price of PlayStation games decreases
* refer to the graph on the previous page
* fully explain TWO flow on effects that this change might have for David

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**QUESTION FOUR: CHANGE IN INCOME**

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| David usually purchases his sporting gear for hockey and basketball second hand on TradeMe, as the new equipment is very expensive. He has recently started working part time at the local supermarket, considerably increasing his weekly income. |

Complete (a) – (b) to fully explain inferior and luxury goods in the context of David’s demand for sporting equipment

1. Complete the sketch graph below to show the effect David’s increase in income on his demand for second hand sporting equipment.

**David’s Demand for second hand sporting equipment**

D

Quantity (sporting equipment)

Price

($)

| Assessor use only |
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1. Discuss how David’s increased income would affect his demand for second hand sporting equipment

In your answer:

* explain inferior goods and luxury goods in David’s context
* refer to the graph on the previous page
* fully explain TWO flow effects this change might have for David.

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