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



***Significantly Different***

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| **Level 1 Economics, 2017**  **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 – 11 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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| Lucy is a second-year law student at the local university. In addition to studying for her law degree, Lucy has a part-time job as a waitress in a restaurant three nights a week. Lucy likes to keep fit and stay active so she plays netball. This involves jogging, practice two nights per week and a game on Saturday mornings. Lucy would like to join the university’s environment group as she is passionate about environmental issues. The environment group has a meeting on Wednesday nights and they help clean up the city’s waterways on a Saturday morning. |

1. Explain how Lucy’s desire to join the environment group is affected by her limited means. Refer to scarcity, choice and opportunity cost in your answer.

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1. Explain the conflict that would arise out of Lucy’s desire to satisfy her values of the **environment** and being **active and healthy**. Ensure you include a definition of values in your answer.

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1. Fully explain TWO possible compromises that Lucy could make to resolve the conflict you identified in question (b) above.

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**Question TWO**

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| Lucy likes to eat sushi for lunch. The university café sells sushi in packs of four. Her demand for sushi from the café is illustrated in the table below. |

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

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| **Lucy’s monthly demand for sushi (four pack)** | |
| **Price ($)** | **Quantity** |
| 3.00 | 16 |
| 3.50 | 14 |
| 4.00 | 12 |
| 4.50 | 10 |
| 5.00 | 6 |
| 5.50 | 2 |

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1. On the graph above show the effect of a decrease in the price of sushi from $5 to $4 per four pack. Fully label any changes.

| Assessor use only |
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1. Use the law of demand to fully explain the change in Lucy’s consumption of sushi when the price falls from $5 to $4. In your answer, include reasons why her consumption changes.

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1. Fully explain TWO flow-on effects that the fall in the price of sushi could have for Lucy

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**Question THREE**

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| As well as sushi, Lucy also enjoys soup as a choice for her lunch, and likes a roll to go with her soup. The university café sells soup and rolls separately. |

1. Explain the economic relationship between **sushi** and **soup** for Lucy.

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1. On the graph below show the effect of a decrease in the price of soup on Lucy’s demand for sushi.

**Lucy’s Monthly Demand for Sushi**

**Price ($)**

**Quantity**

**D**

| Assessor use only |
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1. Fully explain the effect of the decrease in the price of soup on Lucy’s monthly demand for sushi.

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1. Fully explain ONE possible flow-on effect of this change for Lucy

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**QUESTION FOUR**

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| It is now six years later. Lucy has graduated and has a well-paying job at a city law firm. At university she never went to cafes, instead she used to drink instant coffee at home. Now that she is working she tends to buy most of her coffee from cafés. |

1. Discuss how Lucy’s job has affected her demand for both instant coffee and café bought coffee. In your answer:

* use economic terms to fully explain the types of goods that instant coffee and café bought coffee are for Lucy
* explain how Lucy’s job has impacted on her demand for these goods

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1. Fully explain ONE possible flow-on effect of this change for Lucy

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**Additional templates if a mistake has been made in the paper**

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**Price ($)**

**Quantity**

**D**

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