SUPERVISOR'S USE ONLY

90983



Level 1 Economics, 2011

90983 Demonstrate understanding of consumer choices, using scarcity and/or demand

9.30 am Friday 25 November 2011 Credits: Four

| Achievement | Achievement with Merit | Achievement with Excellence |
|--|---|--|
| 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. |

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 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 2–11 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

TOTAL

You are advised to spend 60 minutes answering the questions in this booklet.

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QUESTION ONE: CONSUMER CHOICE

Rina lives with her parents. She works part time at the local post shop. The following are the main activities she chooses to spend her time on.

| Working at a local café, hourly wage \$18 | Writing short stories for personal enjoyment | Attending Zumba fitness classes | Spending time with family |
|---|--|---------------------------------|---------------------------|
|---|--|---------------------------------|---------------------------|

Complete (a) and (b) to fully explain how scarcity and values affect consumer choices.

- **Explain** how time is a limited resource for Rina. In your answer, you should refer to the (a) resource material above and discuss:
 - scarcity

| • | • choice | |
|---|-------------------|--|
| • | opportunity cost. | |
| | opportunity cost. | |
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| ans | y explain the way values might influence how Rina chooses to spend her time. In your wer, you should refer to the main activities on page 2 that Rina chooses to spend her time and discuss: | ASSES |
|-----|---|-------|
| • | the most likely activity Rina will spend her time doing if she values her health the most likely activity Rina will spend her time doing if she values financial stability conflict that might arise over the two decisions above | |
| • | TWO ways Rina may use to resolve this conflict. | |
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QUESTION TWO: LAW OF DEMAND

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Rina's *Zumba* fitness classes run every Wednesday evening. The following is her demand schedule for *Zumba* fitness classes.

| Rina's monthly demand for Zumba fitness classes | | | | | |
|---|----|--|--|--|--|
| Price per session (\$) Number of sessions demande | | | | | |
| 5 | 10 | | | | |
| 7 | 7 | | | | |
| 9 | 5 | | | | |
| 12 | 4 | | | | |
| 20 | 2 | | | | |

Complete questions (a) to (c) to **fully explain** the law of demand in the context of Rina's demand for *Zumba* fitness classes.

(a) Draw a fully labelled demand curve using the information from the demand schedule above.

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| (b) | On the graph on the previous page, show the effect of the price of <i>Zumba</i> fitness classes changing from \$7.00 to \$12.00 a session. Fully label your changes. | ASSESSOR' USE ONLY |
|-----|--|-----------------------|
| (c) | Discuss the change in the number of <i>Zumba</i> fitness classes Rina may attend as the price of each session rises from \$7.00 to \$12.00. | |
| | In your answer you should:refer to the Law of Demand using data from page 4 | |
| | • give reasons for the change in the number of Zumba fitness classes Rina may attend | |
| | fully explain TWO flow-on effects this price change may have for Rina. | |
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QUESTION THREE: PRICE OF OTHER GOODS AND SERVICES

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Rina's karate teacher has offered Rina cheaper karate lessons, on Wednesday night at the same time as the *Zumba* fitness classes.

Discuss how cheaper karate lessons will affect Rina's demand for *Zumba* fitness classes.

In your answer, you should:

Rina's demand for karate

• explain the economic term that best describes the relationship between karate lessons and Zumba fitness classes for Rina

Rina's demand for Zumba fitness class

- show changes in the sketch graphs below, and refer to them in your explanation
- fully explain TWO flow-on effects this change in demand may have for Rina.

Price Price (\$) (\$) Quantity demanded Quantity demanded

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QUESTION FOUR: EFFECTS OF CHANGE IN INCOME

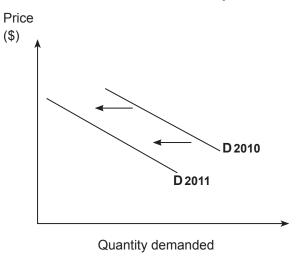
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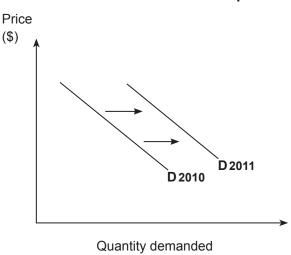
This year Rina worked part-time instead of full-time. As a result, her income in 2011 was half the amount she earned in 2010.

The following graphs show the effect this had on her spending habits.

Rina's demand for branded sportswear

Rina's demand for non-branded sportswear





Discuss the effect a **fall** in Rina's income has on her demand for **branded sportswear** and **non-branded** sportswear.

In your answer you should:

- use appropriate economic terms to describe branded and non-branded sportswear for Rina
- refer to the graphs above
- fully explain TWO flow-on effects these changes in demand may have for Rina

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