

SUPERVISOR'S USE ONLY

90983



Level 1 Economics, 2013

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

9.30 am Tuesday 26 November 2013 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 one hour answering the questions in this booklet.

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QUESTION ONE: CONSUMER CHOICE

Taylor is a 16-year-old student who sings in the school choir and plays football. When she is not rehearsing or training, she helps her parents in the family business. To relax in her spare time, Taylor enjoys having friends around to play computer games.

| | Discuss how Taylor's decisions about her use of time and money will involve an opportun cost. In your answer, you should refer to the resource material above, and link the followir | | | |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|
| • | wants | | | |
| • | limited means | | | |
| • | scarcity | | | |
| • | opportunity cost. | | | |
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Taylor's parents want Taylor to do extra shifts in the family business and spend more time on homework, rather than playing computer games with her friends.

- (b) Discuss how Taylor's values may differ from that of her parents. In your answer, you should explain:
 - ONE value Taylor may hold when she decides to have friends around to play computer games
 - ONE value Taylor's parents may hold when they want Taylor to spend more time working in the family business and doing homework

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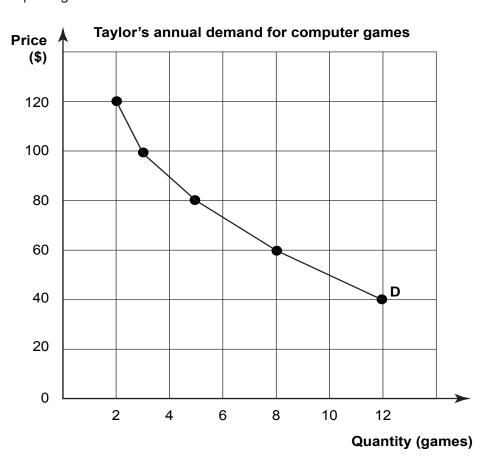
QUESTION TWO: LAW OF DEMAND

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Taylor uses income earned from working in her parents' business to buy computer games. The following graph shows Taylor's annual demand for computer games.

Complete (a) - (c) to **fully explain** the law of demand in the context of Taylor's demand for computer games.

(a) Using the demand curve provided below, complete Taylor's annual demand schedule for computer games.



Taylor's annual demand schedule for computer games

| Price (\$) | Quantity (games) |
|------------|------------------|
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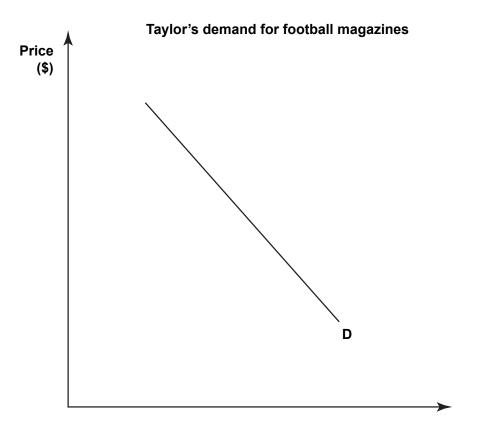
(b) On the graph above, show the effect on the quantity of computer games demanded, if the price per game falls from \$100 to \$60. Fully label all changes.

| (c) | Discuss the law of demand by referring to Taylor's demand for computer games. | | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|
| | In your answer: describe the law of demand by referring to relevant data from the graph or your demand schedule on page 4 fully explain, with TWO reasons, why the quantity of computer games demanded by Taylor changes when the price of computer games falls name a complementary good Taylor may buy, and fully explain how the fall in the price of computer games may have a flow-on effect on Taylor's demand for the | | | | |
| | complementary good. | | | | |
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Instead of computer games, Taylor sometimes spends her income on football magazines, which she reads to help with her training.

Complete (a) - (b) to **fully explain** the economic relationship between football magazines and computer games in the context of Taylor's demand.

(a) On the graph below, show how the **reduced price of computer games** may affect Taylor's demand for **football magazines**.



Quantity (magazines)

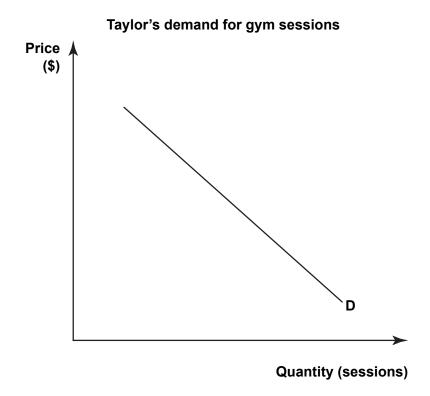
| (b) | Discuss how the reduced price of computer games might affect Taylor's demand for football magazines. | | | | | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|--|--|
| | In your answer: | | | | | | | |
| | explain the economic relationship between the football magazines and computer games | | | | | | | |
| | explain the effect on Taylor's demand for football magazines when the price of computer games falls | | | | | | | |
| | refer to the graph on page 6 | | | | | | | |
| | fully explain TWO flow-on effects that this change may have for Taylor. | | | | | | | |
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Taylor mainly uses her skipping rope to help with her football training, and she occasionally pays for fitness sessions at a gym. Taylor's parents have increased the income she earns from working in the family business.

Complete (a) - (b) to **fully explain** inferior and luxury goods in the context of Taylor's demand for gym sessions.

(a) Complete the sketch graph below to show the effect a **rise in income** would have on Taylor's demand for gym sessions.



| n w | our answer. | | | |
|-----|-------------------------------------------------------------------------|--|--|--|
| | our answer: explain inferior goods and luxury goods in Taylor's context | | | |
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| | refer to the graph on page 8 | | | |
| | fully explain TWO flow-on effects this change may have for Taylor. | | | |
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