NZQA

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Level 1 Economics, 2018

90985 Demonstrate understanding of producer choices using supply

2.00 p.m. Tuesday 13 November 2018
Credits: Three

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of producer choices using supply.	Demonstrate in-depth understanding of producer choices using supply.	Demonstrate comprehensive understanding of producer choices using supply.

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 questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–8 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
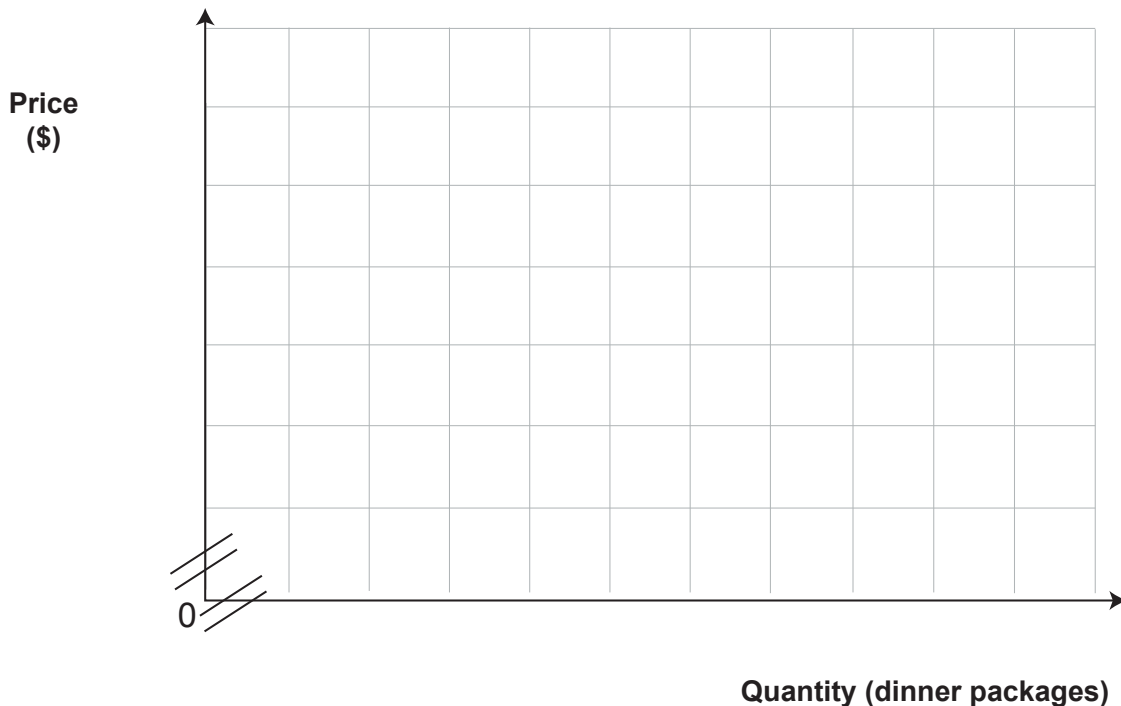
ASSESSOR'S USE ONLY

QUESTION ONE: LAW OF SUPPLY

> Chelsea is the owner of *My Meals.* Her business prepares, cooks, and delivers healthy and nutritious meals to families on a weekly basis. Deliveries consist of a week's worth of meals and are packed in one large bag (dinner package).
>
> *My Meals'* weekly supply of family dinners is as follows:
>
> - When the price of a family dinner package was $120, *My Meals* would supply 100 dinner packages.
> - If the price was $200 per dinner package, then Chelsea would increase production to 250 dinner packages.
> - When the price per dinner package was $160, 200 packages would be supplied.
> - Only 50 packages would be supplied when the price per dinner package was $100.
> - At $140 per dinner package, 125 dinner packages would be supplied.

(a) Using the axes provided below, graph the supply curve for *My Meals*.

Title: _____

(b) On the graph above, show the effect on the quantity of dinner packages supplied, if the price per package decreased from $160 to $140. Fully label all changes.

(c) Using the law of supply and information from the graph on page 2, fully explain the change in the quantity of dinner packages supplied, when the price decreases from $160 to $140. Include the concept of ceteris paribus in your answer.
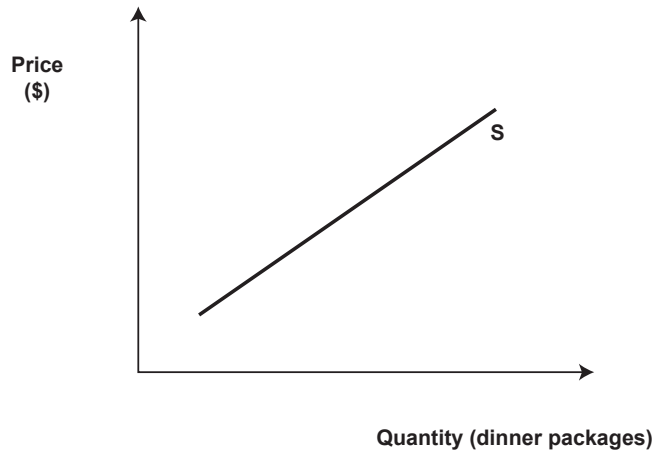
(d) Fully explain ONE flow-on effect this change in price would have for *My Meals*.

QUESTION TWO: COST OF PRODUCTION

> Chelsea signed a contract with local farmers, who now give *My Meals* a discount
> because she buys such large quantities of vegetables to make her meals.

(a) On the graph below, show the impact of this discount on *My Meals*' supply of dinner
packages.
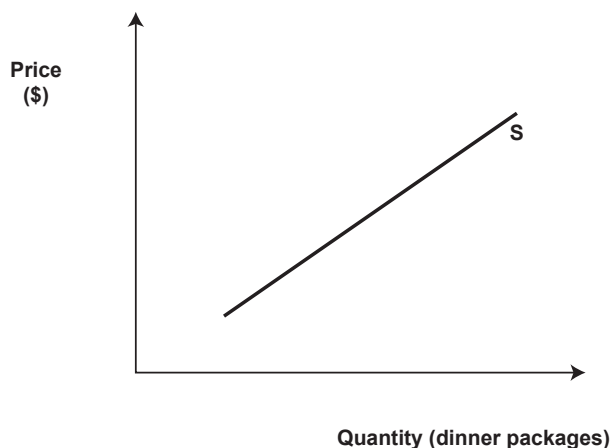
My Meals' supply of dinner packages (monthly)

(b) With reference to the graph above, fully explain the impact of the decrease in the cost of
vegetables on the supply of *My Meals*' dinner packages. Link this impact to a change in
profitability.

(c) Suggest a possible related good for a *My Meals* dinner package. Fully explain why this is a related good.

QUESTION THREE: LEGAL FACTORS

Food hygiene practices are very important when preparing food. *My Meals* takes this very seriously. Chelsea installed new soap dispensers and hygiene stations around her kitchens. She also purchased new sinks, aprons, gloves, and hair nets to comply with health and safety regulations.

(a)   On the graph below, show how meeting the health and safety regulations is likely to affect *My Meals'* supply of dinner packages. Fully label all changes.

My Meals' supply of dinner packages (annually)

Price
($)

S

Quantity (dinner packages)

(b)   Referring to the graph above, fully explain the impact of these health and safety regulations on *My Meals*.
In your answer:
- link the health and safety regulations to the supply of dinner packages
- fully explain the impact on *My Meals'* profitability.

(c)   Fully explain TWO flow-on effects that this change in supply might have for *My Meals*.

Extra space if required.
Write the question number(s) if applicable.

QUESTION
NUMBER

90985