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SUPERVISOR'S USE ONLY

90983



Tick this box if there is no writing in this booklet

Level 1 Economics 2020

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

2.00 p.m. Monday 23 November 2020 Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate 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 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

QUESTION ONE: Consumer choice

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Leo is a university student who works part-time at a zoo, where he has been trained to look after the rabbits and fish. He is very interested in protecting the environment, and volunteers at the New Zealand Climate Action Network (NZCAN).

Network (NZCAN).
Identify a value that Leo is demonstrating by working at the zoo.
NZCAN is organising a march to promote the idea of 100% renewable energy in New Zealand. Unfortunately, the meetings to organise the march will clash with Leo's shifts at the zoo.
Fully explain this conflict for Leo AND suggest a compromise to resolve this conflict.

)	Leo's time is limited because:
,	
)	Leo's skills are limited because:
ii)	Leo's money is limited because:
nk	the concepts of choice and opportunity cost, using an example from Leo's means in
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QUESTION TWO: Consumer demand

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Many products are recyclable, reusable or made from recycled materials. Leo is encouraging his friends and family to choose these environmentally friendly products.

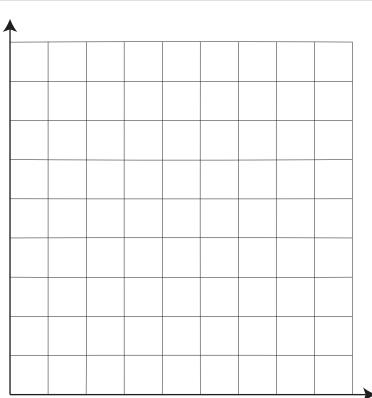
(a) Complete the table below by identifying TWO products, and for each, a more environmentally friendly substitute. An example has been done for you.

Product	Environmentally friendly substitute
Disposable coffee cup	Reusable coffee cup

When reusable shopping bags are \$1 each, Leo will buy 15 a year. When they are 50c, he will purchase 20. If reusable shopping bags are \$4 each, Leo will only buy five. He will buy 10 when they are \$3 per bag.

(b) Using the information above, draw a fully labelled demand curve for the number of reusable shopping bags Leo will purchase per year on the grid below.

Title:			



rom	\$1 to \$3. Fully label these changes.
ally ϵ	g the law of demand and the data from the graph from part (b), or the resource material, explain the change in Leo's demand for reusable shopping bags when the price ases from \$1 to \$3 per bag.
	explain TWO flow-on effects that this change in price for reusable shopping bags might
ave	explain TWO flow-on effects that this change in price for reusable shopping bags might for Leo.
	for Leo.
ave	for Leo.

QUESTION THREE: Change in demand

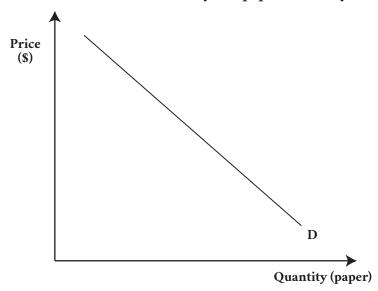
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Making a new product from recycled materials can be more costly because extra processing is often needed. The extra cost is usually then passed on to the consumer. This makes recycled products more expensive to buy.

- (a) What is the economic term given to a product that is superior to a normal product?
- (b) Explain how demand for this type of good is affected by income.

(c) Recycled paper is an example of a superior product. On the graph below, show how an increase in income would affect Leo's demand for recycled paper.

Leo's demand curve for recycled paper (annually)



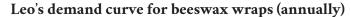
Beeswax wraps are better for the environment than plastic wrap. They are made from cotton fabric with a beeswax coating that keeps food fresh and reduces plastic waste.

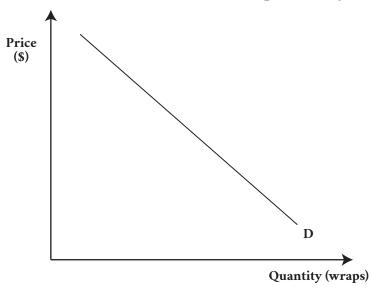
Leo learns about beeswax wraps from his friends.

Source: https://superbee.me/taking-care-of-your-reusable-wax-wrap/

(d) On the graph below, show how the influence of the environmental group would affect Leo's demand for reusable beeswax wraps. Refer to the resource material box on page 6.

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- (e) Referring to the demand curve you have drawn in part (d), fully explain the changes in Leo's demand for beeswax wraps. In your answer:
 - give a reason for Leo's change in demand
 - explain the movement of the demand curve
 - explain the effect on substitute items.

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

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QUESTION		write the question number(s) if applicable.	
QUESTION NUMBER	_		