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90985



Level 1 Economics, 2015

90985 Demonstrate understanding of producer choices using supply

2.00 p.m. Wednesday 25 November 2015 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 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: LAW OF SUPPLY

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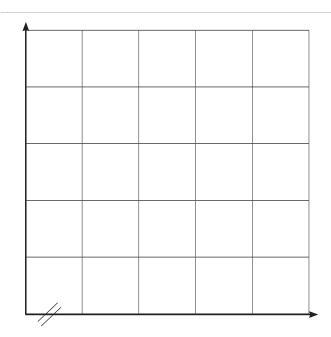
Cade is an orchardist who grows cherries and other fruit.

(a) Using the supply schedule below, complete Cade's monthly supply curve for cherries.

Cade's monthly supply of cherries

Price (\$/kg)	Quantity (000 kg)
20	125
15	120
10	110
5	100

Title:



- (b) On the graph above, show the effect on the quantity of cherries supplied, if the price per kg increases from \$10 to \$20. Fully label all changes.
- (c) Discuss the effect on Cade's supply of cherries when the price of cherries increases from \$10 to \$20 per kg. The price increase is expected to last for a significant period of time. In your answer:
 - describe the law of supply by referring to the relevant data from the supply schedule or from your graph above
 - fully explain the reason for the law of supply in the context of Cade's supply of cherries
 - suggest a possible related good for cherries, and explain why this is a related good
 - fully explain the effect of the change in price of cherries on Cade's supply of the suggested related good.

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QUESTION TWO: NON-PRICE FACTOR

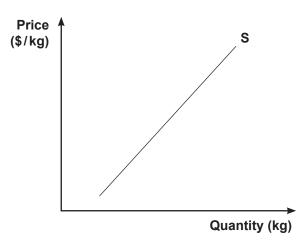
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Frost can damage growing fruit.

There are various ways of preventing frost from settling on the plants and causing damage – for example, using helicopters or wind machines to mix air to take advantage of heat stored in the atmosphere, using heaters or heated water under trees, and covering the plants.

(a) On the graph below, show how a frost is likely to affect Cade's supply of cherries. Fully label all changes.





(b) Discuss the effects of a frost and Cade's efforts at frost prevention on Cade's supply of cherries.

In your answer:

- fully explain the link between the frost, frost prevention, profitability, and the supply of cherries
- fully explain TWO flow-on effects for Cade of this change in the supply of cherries

refer to the changes you made on the graph above.	

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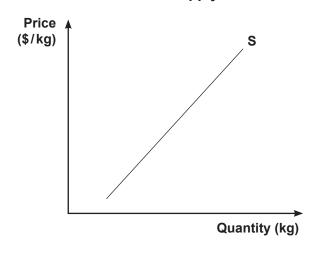
QUESTION THREE: TECHNOLOGY

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Cade has invested in new technology that will help him better process and grade his cherries once they have been picked. This technology will also decrease human error and result in less low-quality fruit being supplied.

(a) On the graph below, show how the new technology is likely to impact on Cade's supply of cherries. Fully label all changes.

Cade's annual supply of cherries



- (b) Discuss the effect that the new technology is likely to have on Cade's supply of cherries. In your answer:
 - define technology and productivity
 - explain the link between new technology and productivity for Cade
 - fully explain the link between productivity and the supply of cherries
 - fully explain TWO flow-on effects for Cade of this change in the supply of cherries
 - refer to the changes you made on the graph above.

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