# NZQA

NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

## Level 1 Economics, 2012

## 90985  Demonstrate understanding of producer choices using supply

9.30 am Tuesday 27 November 2012
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 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 2–8 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.**
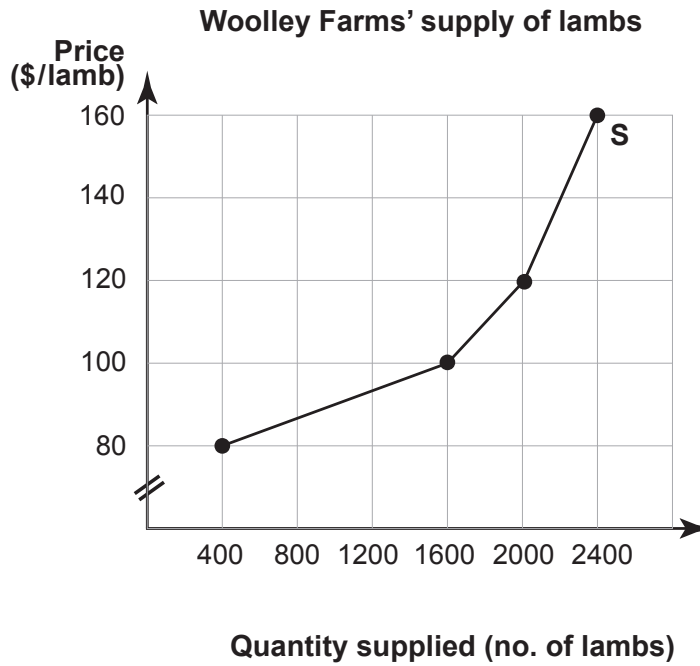
**TOTAL**

ASSESSOR'S USE ONLY

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

## QUESTION ONE:  THE LAW OF SUPPLY

Sally Jones farms lambs and goats on her farm called Woolley Farms. The farm is on the Canterbury Plains. The ratio of lambs to goats supplied depends on the prices Sally expects to get at the auctions.

The following is a supply curve for lambs supplied by Woolley Farms:

**Woolley Farms' supply of lambs**



**Quantity supplied (no. of lambs)**

Complete questions (a) to (c) to **fully explain** the law of supply in the context of Sally's business.

(a)    Use the graph above to complete a fully labelled supply schedule below.

**Woolley Farms' supply schedule of lambs**

|  |  |
|---|---|
|  |  |
|  |  |
|  |  |
|  |  |

Experts predict $100 for new season's lambs and some very early lamb prices to reach $140 per lamb.

Adapted from: www.interest.co.nz/rural/sheep/lamb/price-trends

(b)    On the graph above, show the effect of a change in the price of lambs from $100 to $140 per lamb. Fully label your changes.

(c) Discuss the law of supply as it relates to the rising price of lambs from $100 to $140 per lamb.

In your answer, you should:
- describe the law of supply by referring to the relevant data from the graph on page 2
- explain a reason for the law of supply
- explain the effect the rising price of **lambs** has on Woolley Farms' supply of **goats**.
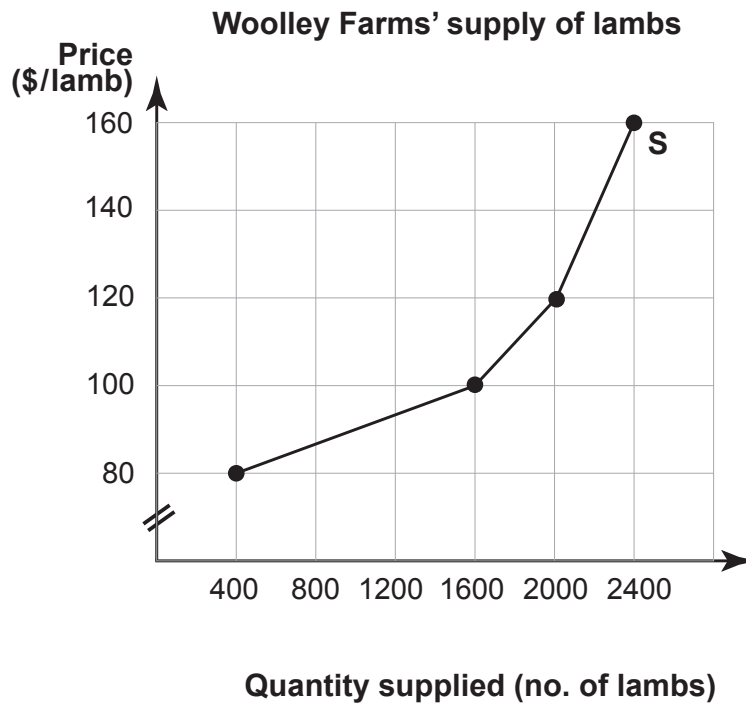
## QUESTION TWO:  EXTERNAL FACTORS

Farmers on the Canterbury Plains who are well into lambing are bracing themselves for heavy snow that's been forecast for much of the South Island.

Adapted from: www.radionz.co.nz/news/rural/82512/farmers-brace-for-snow-amidst-lambing

Complete questions (a) and (b) to **fully explain** the effect of a long period of heavy snow in the context of Woolley Farms.

(a)    On the graph below show the effect of a 50% fall in Woolley Farms' supply of lambs. Fully label the changes you make.

**Woolley Farms' supply of lambs**



**Quantity supplied (no. of lambs)**

(b)    Discuss the effect this change in the weather has on Woolley Farms' supply of lambs.
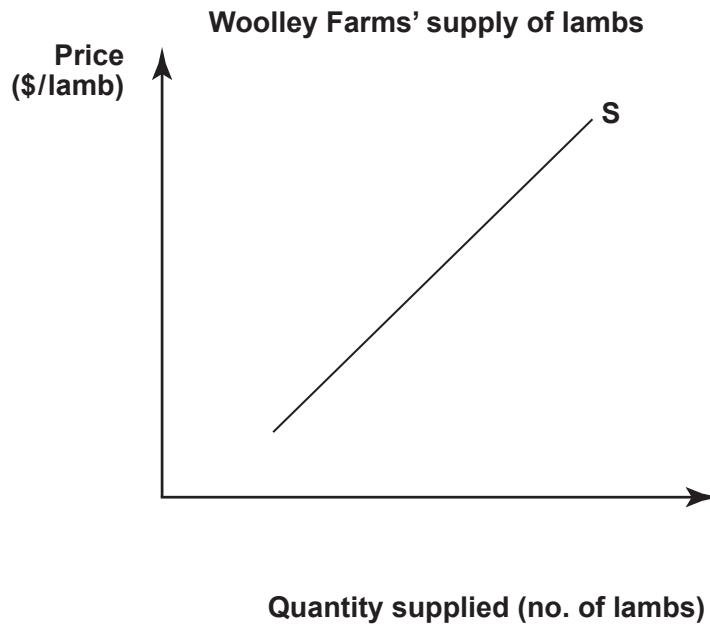
In your answer, you should:
- explain the effect this event will have on costs of production
- explain the link between the snow and the supply of lambs
- refer to the graph above
- explain ONE flow-on effect of this change on Woolley Farms.

## QUESTION THREE: TECHNOLOGY

> Sally has invested in new computer technology to help her to better manage and process her lambs. She expects this will improve productivity on her farm.

Complete questions (a) and (b) to **fully explain** the effect of new technology on supply in the context of Woolley Farms.

(a)   On the sketch graph below, show how new technology might affect Woolley Farms' supply of lambs. Fully label the changes you make.

**Woolley Farms' supply of lambs**

Price
($/lamb)

S

Quantity supplied (no. of lambs)

(b)   Discuss how this new technology might affect the supply of lambs at Woolley Farms.

In your answer, you should:
- explain the link between new technology and productivity
- explain the link between productivity and supply
- refer to your sketch graph above
- explain ONE flow-on effect of this change for Woolley Farms.

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| QUESTION NUMBER | |
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