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Level 1 Economics 2021

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

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 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.

Do not write in any cross-hatched area (░). This area may be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.
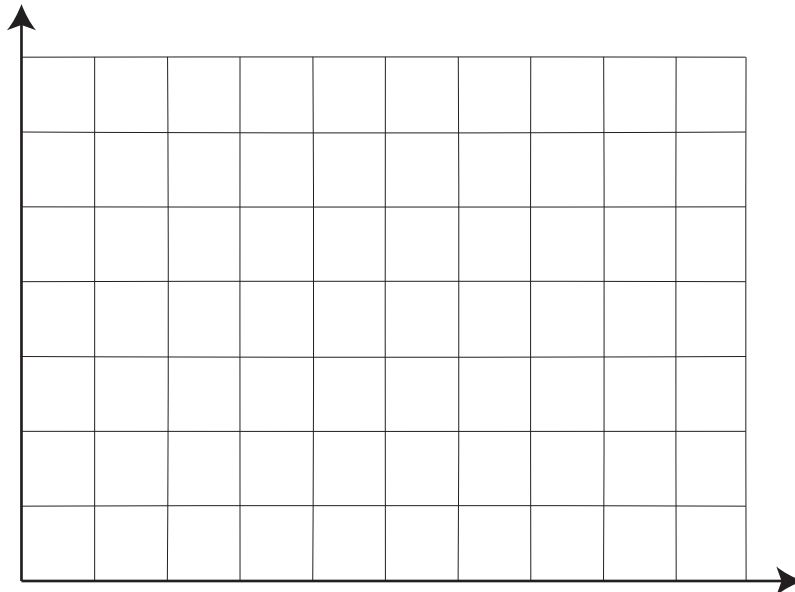
QUESTION ONE: The law of demand

Tate is a 17-year-old secondary school student. His favourite subject is music and he loves creating 20-second songs that he uploads to his YouTube channel. His school allows him to rent music equipment to create the songs, which he records and edits using apps on his phone. He uses pocket money that he receives from his parents to pay for the music equipment rental.

Tate's weekly demand for music equipment hire

Price ($ / hr)	Quantity (hours)
2	10
6	8
7	6
10	4
14	2

(a) Use the information from the demand schedule above to draw a labelled demand curve.

Title: _____

(b) On the graph created in (a), show the effect on Tate's quantity demanded (hours) if the price of equipment hire increases from $6 to $10 per hour. Label all your changes.

(c) How does Tate's demand for music equipment hire change if the price increases from $6 to $10 per hour? In your answer, discuss the reasons for the law of demand, and use the data from the graph or schedule on page 2.

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(d) Explain TWO flow-on effects that this change in price will have for Tate.

(1) _____

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(2) _____

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QUESTION TWO: Consumer choice

> Tate's goal is to become a famous YouTuber. He teaches himself how to create songs and he learns skills in his music lessons. He is aiming to receive a year's free tuition at a music school where he will learn better skills for developing his songs. When Tate is not at school or studying, he spends his time creating songs. As this takes up so much time, he does not have a part-time job. His only income is the pocket money that his parents give him.

(a)   Why are Tate's means limited?

    (i)   Tate's **time** is limited because:

    (ii)   Tate's **money** is limited because:

    (iii)   Tate's **skills** are limited because:

(b)   How are the concepts of scarcity, choice, and opportunity cost linked? Use an example from Tate's means from part (a) in your answer.

(c) What value does Tate demonstrate when he works on his YouTube songs?

(d) What value does Tate demonstrate when he completes his schoolwork and studies for his exams?

(e) (i) What conflict does Tate experience when choosing how to use his time? Explain why this is a conflict.

(ii) Suggest TWO compromises that Tate could make to resolve the conflict from (e)(i).

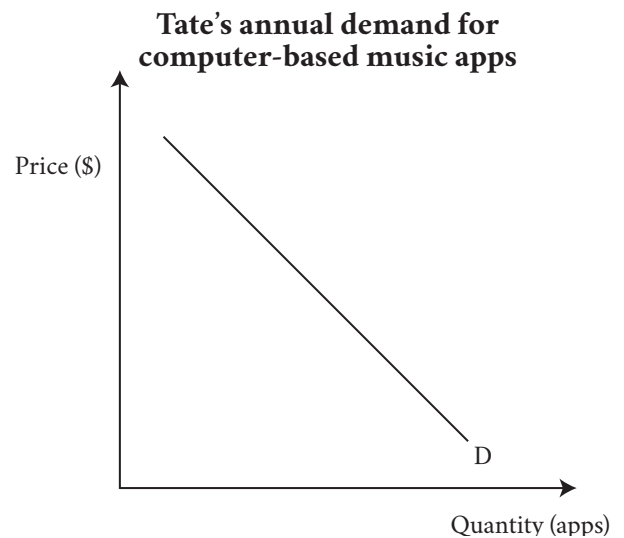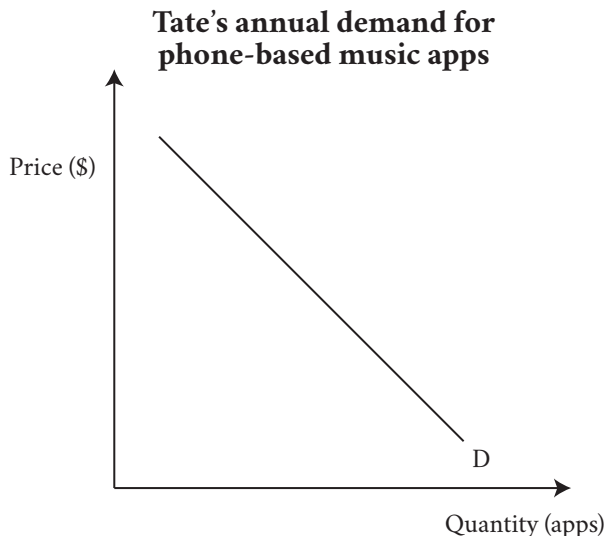(1)

(2)

QUESTION THREE: Change in non-price factors

Tate's popularity as a YouTuber has increased and YouTube now pays him for each song that he uploads. He saves money and buys a computer, and apps for the computer, that allow him to make YouTube songs that are more professional than the uploads from his phone.

(a)   What is the economic term given to a good that is used instead of another good?

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(b)   How is Tate's income affected by his increased popularity on YouTube?

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(c)   What are inferior and luxury goods? Use Tate's phone and computer as examples to explain.

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(d)   On the sketch graphs below, show the impact of Tate's increased popularity on his demand for music apps on his phone and computer.

Tate's annual demand for phone-based music apps

Price ($)

D

Quantity (apps)

Tate's annual demand for computer-based music apps

Price ($)

D

Quantity (apps)

(e) How does Tate's income affect his demand for music apps on his phone and computer? Use the graphs from part (d) to explain the link.

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(f) Explain ONE positive and ONE negative flow-on effect that the change in demand for computer-based music apps might have for Tate.

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

QUESTION
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