SUPERVISOR'S USE ONLY

90985



Level 1 Economics, 2011

90985 Demonstrate understanding of producer choices using supply

9.30 am Friday 25 November 2011 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

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

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QUESTION ONE: LAW OF SUPPLY

Title:

Cameron sells ginger beer at the local farmers' market. Cameron's weekly supply schedule is shown below.

Cameron's weekly supply schedule of ginger beer					
Price (\$)	Quantity supplied (bottles)				
6.00	70				
7.00	80				
8.00	100				
9.00	130				

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

(a) Using the axes provided below, draw Cameron's weekly supply curve of ginger beer. Fully label your graph.

Due to the growing number of sellers of ginger beer at the farmers' market, Cameron has had to drop his price to remain competitive.

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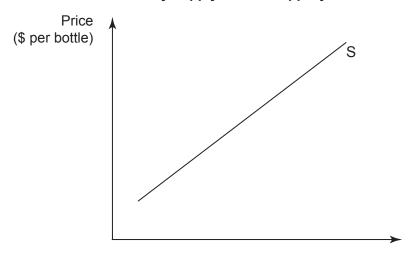
b)	On your graph on page 2, show the effect of a price decrease from \$8.50 to \$7.00 per bottle for Cameron's ginger beer. Fully label the changes.					
c)	Discuss the law of supply by referring to Cameron's supply curve for ginger beer.					
	 In your answer, you should: describe the law of supply, by referring to relevant data from your graph on page 2 fully explain the effect of the price decrease, by referring to relevant data fully explain what Cameron might do if the price for his ginger beer falls below \$4 a bottle. 					

Cameron makes apple juice as well as ginger beer.

Complete questions (a) and (b) to **fully explain** the concept of related goods in the context of Cameron's business.

(a) On the sketch graph below, show how a decrease in the price of ginger beer might affect Cameron's supply of **apple juice**. Fully label the changes you make on the graph.

Cameron's weekly supply curve of apple juice



Quantity supplied (bottles)

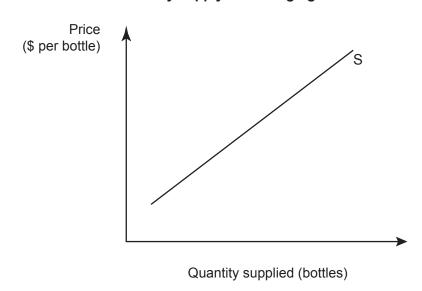
Disc juice	uss how a decrease in the price of ginger beer might affect Cameron's supply of apple	ASS US
In yo	fully explain the relationship between ginger beer and apple juice and how this might affect Cameron's use of resources fully explain how it might impact on Cameron's supply of apple juice explain ONE flow-on effect of this change on Cameron's business operations refer to the graph on page 4.	

In order to sell his drinks at the farmers' market, Cameron has to meet the food safety standard. This is a legal requirement. This involves, among other things, having the appropriate equipment and procedures to sterilise the bottles and put accurate information on the labels for his drinks.

Complete questions (a) and (b) to **fully explain** the effect of a legal factor on supply, in the context of Cameron's business.

(a) On the sketch graph below, show how a legal factor such as the above might affect Cameron's supply of ginger beer at the farmers' market. Fully label the changes you make on the graph.

Cameron's weekly supply curve of ginger beer



(b)	Discuss how this legal factor might affect Cameron's business.	ASSESSOR'S USE ONLY
	 In your answer, you should: use an example to fully explain ONE way in which this legal factor might affect Cameron's business fully explain how the legal factor might affect Cameron's weekly supply of ginger beer, as shown by the changes in the supply curve you drew on page 6 explain ONE flow-on effect of this change refer to the graph and information from the resource box on page 6. 	

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

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NUMBER	_	_	