

90986



Draw a cross through the box (X) if you have NOT written in this booklet

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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 1 Economics 2023

90986 Demonstrate understanding of how consumer, producer and/or government choices affect society, using market equilibrium

Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of how consumer, producer and/or government choices affect society, using market equilibrium.	Demonstrate in-depth understanding of how consumer, producer and/or government choices affect society, using market equilibrium.	Demonstrate comprehensive understanding of how consumer, producer and/or government choices affect society, using market equilibrium.

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 (X). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

QUESTION ONE: Market equilibrium

A small supermarket and a dairy are the only suppliers of bread for a rural community.

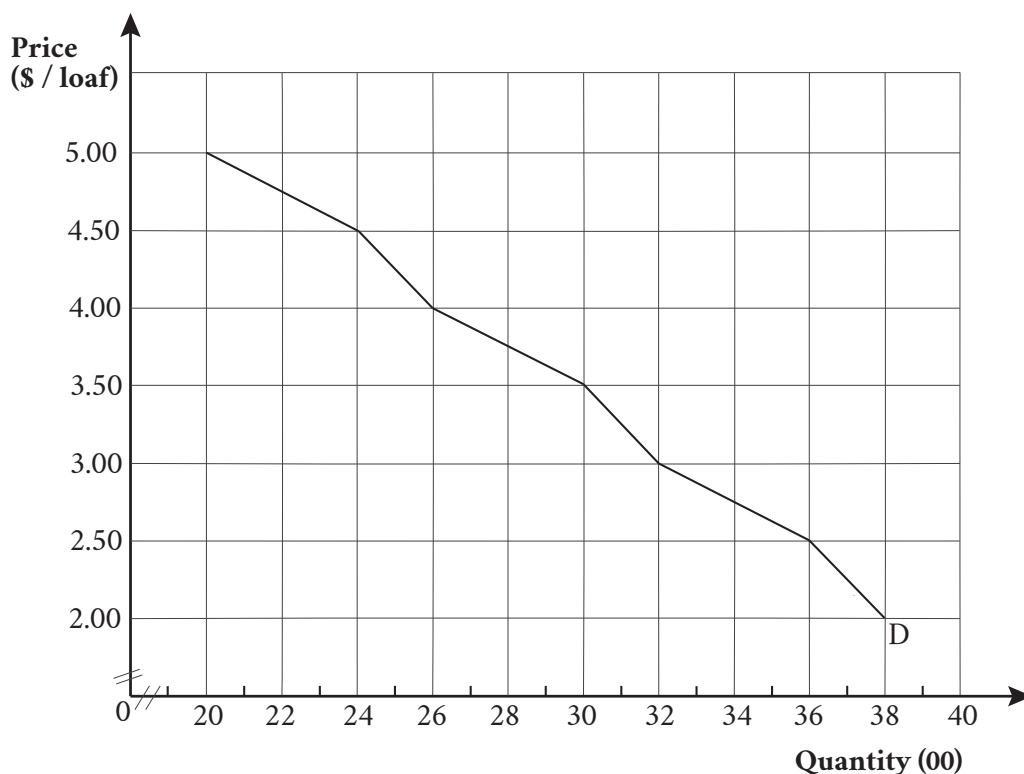
- (a) Complete the market supply schedule below by filling in the missing figures.

Market supply schedule for bread (per month)

Price per loaf (\$)	Quantity Supplied (Supermarket)	Quantity Supplied (Dairy)	Market Supply
2.00	1 500		2 000
2.50	1 700	700	
3.00		850	2 800
3.50	2 100		3 000
4.00	2 280	920	
4.50	2 450	950	3 400
5.00		1 100	4 000

- (b) On Graph One below, add the market supply curve for bread and use dotted lines to show the market equilibrium price and quantity (P_e) and (Q_e).

Graph One: Market for bread (per month)



- (c) On Graph One, show the market situation if the price of bread is \$4.50 per loaf.

In your answer:

- Use dotted lines to show the quantity demanded (Q_d) and the quantity supplied (Q_s).
- Label the resulting surplus or shortage.

- (d) Use data from Graph One to answer parts (i) to (iv) below:

- Explain why there is a surplus or shortage at a price of \$4.50 per loaf.

- Explain how the supermarket and the dairy will respond to the market situation of \$4.50 per loaf.

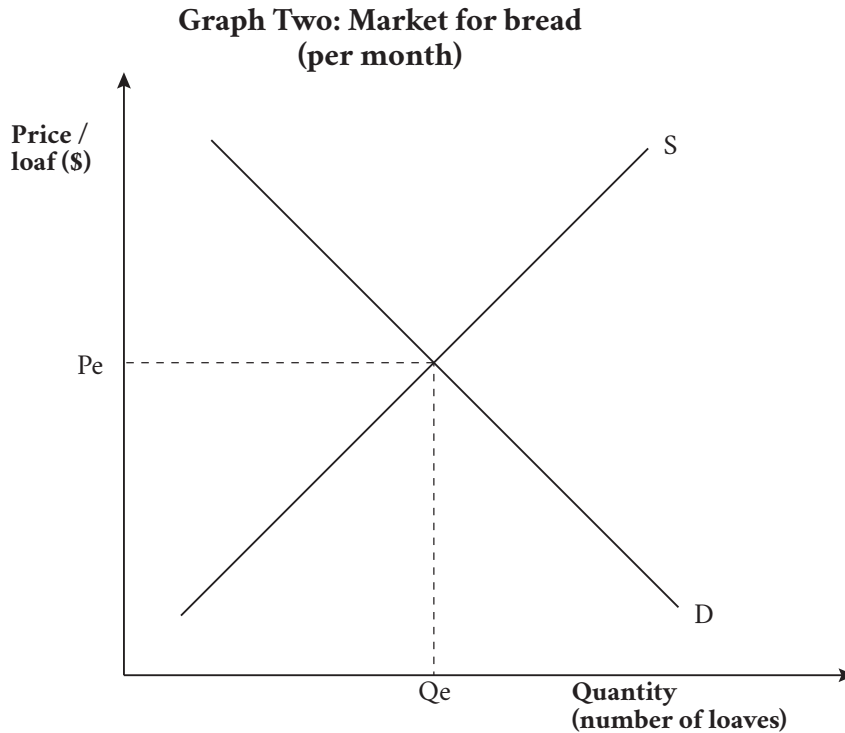
- Explain what will happen to the quantity demanded and the quantity supplied as a result of the change described in (ii).

- What will the price and quantity of bread be in the community when equilibrium is restored?

QUESTION TWO: Change in demand

Due to a successful advertising campaign, consumers in the community are purchasing more bread each month.

- (a) On Graph Two below, show the impact of the successful advertising campaign on the equilibrium price and quantity of bread. Label any changes you make.



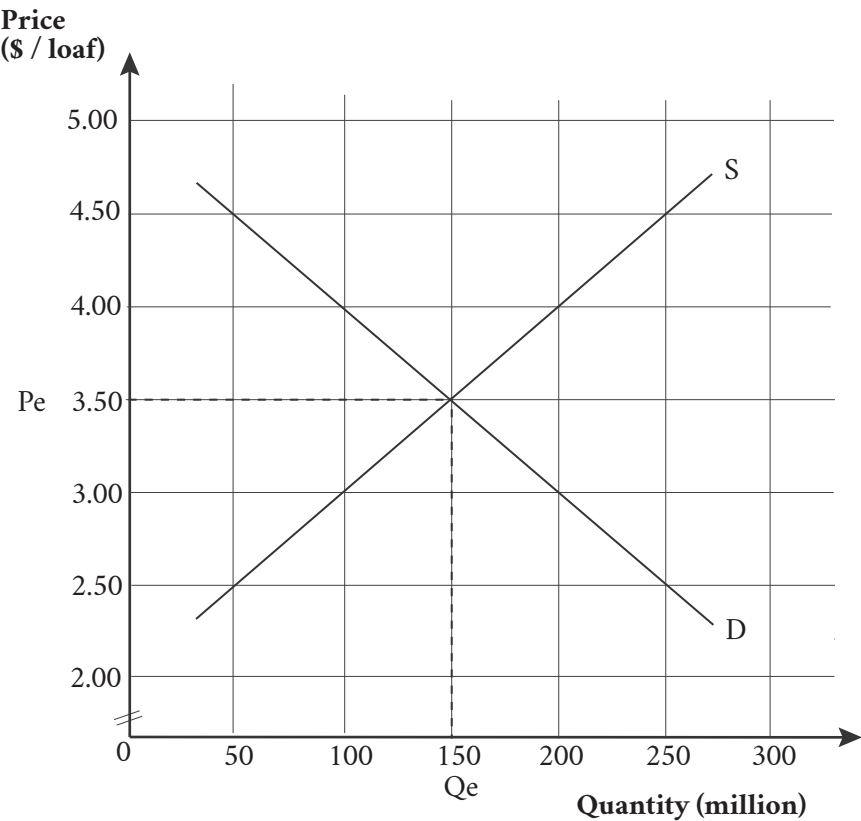
- (b) Explain the change in the equilibrium price and quantity of bread. In your answer, refer to the changes made to Graph Two and give a reason for the price and quantity changing.

QUESTION THREE: Subsidy

The Government has decided to place a \$1.00 per loaf subsidy on bread to make it more affordable.

- (a) On Graph Three below, show the impact of a \$1.00 per loaf subsidy on the New Zealand bread market. Label the new equilibrium price (P_1) and quantity (Q_1).

Graph Three: New Zealand annual bread market



- (b) Complete the table below.

	Before subsidy	After subsidy
Price consumer pays		
Price producer receives		
Quantity of bread sold		
Consumer spending		
Producer revenue		

- (c) Explain the impact of the subsidy on bread consumers. In your answer, include relevant data from page 6 and give a reason for the changes in the price consumers pay and their spending.

- (d) Explain the impact of the subsidy on bread producers. In your answer, include relevant data from page 6 and give a reason for the changes in the price producers receive and their revenue.

- (e) Another option for reducing bread prices would be a maximum price control. Explain ONE advantage and ONE disadvantage to the Government of using a **subsidy** compared to using a maximum price control.

Advantage: _____

Disadvantage: _____

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

QUESTION
NUMBER

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