

93402



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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Scholarship 2013 Economics

2.00 pm Wednesday 27 November 2013
Time allowed: Three hours
Total marks: 24

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Pull out Resource Booklet 93402R from the centre of this booklet.

Answer 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 2–20 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.

Question	Mark
ONE	
TWO	
THREE	
TOTAL	/24

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You have three hours to complete this examination.

This paper consists of three structured essay questions. For each question, use appropriate economic models to illustrate key points, and integrate information from the resource material to support your argument/evaluation.

QUESTION ONE

The New Zealand airline industry (domestic and international) could be considered highly competitive.

Using information from **Resources A to I**, and your knowledge of microeconomic theory, analyse how an airline operator could estimate the elasticity of demand for its services.

Evaluate the significance of this knowledge for the firm in making its **pricing decisions to maximise its revenue** when operating in the highly competitive New Zealand airline industry.

In your answer:

- analyse how an airline operator can benefit from knowledge of each of the three elasticities of demand when making its pricing decisions
- discuss the factors that might help an airline operator determine the level of elasticity of demand for its services (ie price elasticity of demand, cross elasticity of demand, and income elasticity of demand)
- evaluate the importance of this knowledge for an airline operator in **maximising its revenue** in the long run.

Use this space for planning your essay. This plan will NOT be marked.

Planning space

Begin your essay here.

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QUESTION TWO

Concern has been expressed in the media, and by community groups, regarding the number of children growing up in poverty in New Zealand.

Using information from **Resources J to O**, and your knowledge of microeconomic theory, discuss and evaluate the impact that high levels of child poverty may have on efficiency and equity in New Zealand.

Discuss the case for government intervention, and evaluate possible government interventions to reduce levels of child poverty in New Zealand.

In your answer:

- discuss how high levels of child poverty may impact on equity and economic efficiency in New Zealand
- evaluate the case for government intervention to reduce the level of child poverty in New Zealand
- analyse and evaluate the relative effectiveness of differing government policies to reduce the level of child poverty, and their impact on equity and efficiency
- make justified recommendations as to what, if any, action government should take to reduce the level of child poverty in New Zealand.

Use this space for planning your essay. This plan will NOT be marked.

Planning space

Begin your essay here.

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QUESTION THREE

The New Zealand exchange rate has risen significantly since 2009 against most currencies. As a consequence, there is currently a debate as to the desirable level of the New Zealand exchange rate, with concerns (expressed by some key sectors) that the New Zealand dollar is too high.

With reference to **Resources P to U**, and using your own economic knowledge, discuss how the New Zealand exchange rate is determined, and analyse the key factors that influence the current level of the New Zealand exchange rate.

Evaluate the case for government intervention to lower the New Zealand exchange rate, and possible methods of intervention.

In your answer:

- illustrate and explain how the New Zealand exchange rate is determined
- identify and explain the main factors that affect the New Zealand exchange rate, including the impact of current economic conditions
- evaluate both the positive and negative effects of a high exchange rate on sectors of the New Zealand economy, and for New Zealand's macro-economy
- analyse and evaluate government policies that could be utilised to reduce the New Zealand exchange rate.

Use this space for planning your essay. This plan will NOT be marked.

Planning space

Begin your essay here.

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

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QUESTION
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