90983


# Level 1 Economics, 2017 <br> 90983 Demonstrate understanding of consumer choices, using scarcity and/or demand 

9.30 a.m. Friday 10 November 2017<br>Credits: Four

| Achievement | Achievement with Merit | Achievement with Excellence |
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| Demonstrate understanding of <br> consumer choices, using scarcity <br> and/or demand. | Demonstrate in-depth understanding <br> of consumer choices, using scarcity <br> and/or demand. | Demonstrate comprehensive <br> understanding of consumer choices, <br> 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 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.
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

## QUESTION ONE: CONSUMER CHOICE

Bella is an international student staying with a family in the North Island. She is planning a 10-day trip around the South Island in the October school holidays. Bella chose to study in New Zealand because of its high-adrenaline adventure tourism activities, such as bungy jumping, sky diving, white water rafting, and jet-boating.
(a) Fully explain why time is a limited resource for Bella. In your answer, refer to the resource material above and link scarcity, choice, and opportunity cost.

Bella's homestay mum is concerned about Bella's NCEA exams and thinks that Bella should be using her October school holidays to study.
(b) Define what is meant by the term "values".
(c) What value has been expressed by Bella's homestay mum?
(d) What value is being expressed by Bella, when she wants to take a tour of the South Island?
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(e) Fully explain the conflict that has arisen between Bella and her homestay mum, and TWO compromises that Bella could make in order to resolve that conflict.
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## QUESTION TWO: LAW OF DEMAND

While in New Zealand, Bella plans to go snowboarding as much as she can.

| Bella's demand schedule for <br> snowboarding trips (annually) |  |
| :---: | :---: |
| Price (\$) | Quantity (trips) |
| 400 | 20 |
| 500 | 17 |
| 550 | 15 |
| 600 | 10 |
| 650 | 8 |

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

Title:

(b) On the graph above, show the impact if the price of snowboarding trips increased from $\$ 550$ to $\$ 600$. Fully label your changes.
(c) Using the law of demand and the data from the graph or schedule above, fully explain the change in the number of snowboarding trips demanded if the price increased from $\$ 550$ to $\$ 600$.
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(d) Fully explain ONE flow-on effect this change in price would have for Bella.

QUESTION THREE: CHANGE IN DEMAND

While researching her trip to the South Island, Bella became interested in the Franz Josef Glacier. From her research, Bella knew that she could see the glacier by taking a helicopter flight or by doing a guided walk.

(a) When compared to a guided walk, a helicopter flight is considered to be a luxury good for Bella. Explain why.

While Bella was on her trip, the price of helicopter flights doubled. Since Bella had such a great time bungy jumping in Queenstown, she decided to do another bungy jump instead of taking a helicopter flight.
(b) Explain the economic relationship between bungy jumps and helicopter flights for Bella.
(c) On the sketch graphs below, show how the increase in the price of helicopter flights affects Bella's demand for helicopter flights and demand for bungy jumps. Fully label your changes.

## Bella's annual demand for helicopter flights



Bella's annual demand for bungy jumps

(d) Using the graphs in (c), fully explain the effect of the change in the price of helicopter flights on Bella's annual demand for bungy jumps.
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(e) Fully explain ONE flow-on effect that this change in the price of helicopter flights may have for Bella.

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