***Educating Young People Who Will Be***



***Significantly Different!***

NAME CLASS

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| **Level 1 Economics, 2012**  **90985 Demonstrate understanding of producer choices using supply** |

**Credits: Three**

| **Achievement** | **Achievement with Merit** | **Achievement with Excellence** |
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| * Demonstrate understanding of producer choices using supply. | * Demonstrate in-depth understanding of producer choices using supply. | * Demonstrate comprehensive understanding of producer choices using supply. |

You should answer all 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 1 – 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**

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| **Total** | |  |
|  | Assessors use only | |

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Suggested time 60 minutes

**Question One**

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| Kiri has opened up a cake shop, *Kiri’s Cakes*. Kiri bakes and sells cupcakes in her shop, as well as selling cups of tea and coffee. Her daily supply schedule for cupcakes is shown below. |

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| **Kiri’s Cake’s daily supply schedule of cupcakes** | |
| **Price ($)** | **Quantity supplied** |
| 2.00 | 20 |
| 2.50 | 30 |
| 3.00 | 40 |
| 3.50 | 60 |
| 4.00 | 80 |

Complete questions (a) to (c) to fully explain the law of supply using the context of the supply of cupcakes by Kiri.

1. Complete a fully labelled supply curve using the information above.

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| Assessor use only |
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1. On the graph on the previous page show the effect of an increase in the price of cupcakes from $2.50 to $3.50. Fully label your changes.
2. Fully explain the effect of the increase in the price of cupcakes from $2.50 to $3.50. In your answer you should:

* explain the law of supply using data from the previous page
* give reasons for the change in the quantity of cupcakes supplied
* fully explain **TWO** flow-on effects of the price change for Kiri

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**Question two**

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| After one year Kiri invests in a new oven that cuts cooking time in half |

1. Show on the graph below the effect of the new technology on Kiri’s supply of cupcakes.

**Kiri’s daily supply of cupcakes**

**Price ($)**

**Quantity**

**S**

| Assessor use only |
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1. Fully explain the effect of new technology on Kiri’s supply of cupcakes. In your answer you should:

* explain how the new technology affects Kiri’s supply of cupcakes
* explain one flow-on effect of this change in supply on Kiri’s business operations
* refer to the graph and resource box on the previous page

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**Question three**

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| Kiri’s customers are becoming more environmentally aware. In response to this Kiri is contemplating using more expensive enviro-friendly packaging. |

1. Show on the graph below the effect of using enviro-friendly packaging on Kiri’s supply of cupcakes.

**Kiri’s daily supply of cupcakes**

**Price ($)**

**Quantity**

**S**

| Assessor use only |
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1. Fully explain the effect of this environmental factor on Kiri’s business. In your answer you should:

* fully explain how this environmental factor will impact on Kiri’s supply of cupcakes
* explain one flow-on effect of this change in supply on Kiri’s business operations
* refer to the graph and resource box on the previous page

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| **Extra paper for continuation of answers if required.**  **Clearly number the question** | |
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