

The **topics** and **types of questions** examined in this Achievement Standard. Use this sheet to plan and organise your study so that you cover everything that is required.

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1.1 CONSUMER CHOICE AND DEMAND AS 90195

Describe concepts related to consumer choice and demand

1.1 1. Consumer choice

- the conflict of limited means relative to wants
- resources (time, money, skills) of the individuals or family, whānau, hapū (extended kinship group) and iwi
- the opportunity costs of economic decisions

▶ Billie plays on the school hockey team after school two days a week. She has a part-time job as a checkout operator at the local supermarket.

Next week, the team is going to an out-of-town tournament, and Billie will need to take some time off work.

- State the opportunity cost to Billie for going to the hockey tournament.
- Using relevant economic terms, fully explain why Billie cannot meet all of her wants.

1.1 2. Demand schedules and demand curves

- construction of a demand schedule from given data for an individual

▶ It is Lucy's turn to do the grocery shopping. She usually buys four loaves of bread at the normal price of \$4.00 a loaf.

Because bread is on special this week at half price, she decides to buy seven loaves. If the price had been \$3.00 a loaf, she would have bought five loaves.

Using the data above, construct Lucy's weekly demand schedule for bread. Label the schedule fully.

- consumer reaction to a change in price (change in quantity demanded)
- consumer reaction to change caused by factors other than price (change in demand)

▶ Aroha also likes to watch videos and go to the movies. She usually hires at least one video each week, but may hire up to five.

For each of the following events, explain what would happen to Aroha's demand for videos. Give a reason for each answer.

- The price of going to the movies rises.
- Aroha has to spend more time on her homework.
- Aroha decides to increase her savings.

▶ Tom works at the local garage. He is saving up to buy a new bike, but he cannot decide which bike he wants to buy.

- Identify THREE factors that may affect Tom's demand for bikes.
- Explain why price might NOT be the most important factor.
- One brand of bike has a reputation for poor quality. Explain how that might affect consumer demand.

- drawing a demand curve for an individual from given data

▶ Aroha enjoys listening to music and regularly buys CDs. Her monthly demand for CDs is shown on the schedule.

Aroha's Monthly Demand for CDs	
Price (\$)	Quantity
35	2
30	3
25	4
20	5
15	6

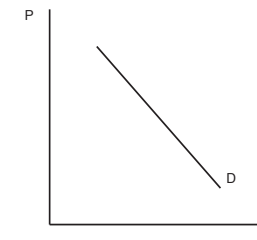
- From the information in the demand schedule, draw a labelled demand curve.
- Indicate on the demand curve you drew above, the effect of a price increase from \$20 to \$30.
- Explain how the demand curve illustrates the Law of Demand.

- illustration of a movement along the demand curve
- illustration of a shift of the demand curve

▶ (a) Use the graph to illustrate an increase in demand. Fully label your graph and use arrows to illustrate the change.

(b) Use the graph to illustrate an increase in quantity demanded. Fully label your graph and use arrows to illustrate the change.

(c) Explain the difference between an increase in demand and an increase in quantity demanded.



1.1 3. Household income and spending patterns

- the impact of a change in income on the demand for luxuries, necessities and inferior goods

▶ Taylor's family is typical of many households. Most of their disposable household income is spent on necessities like food, rent, power, insurance, and health. There is little left over for luxuries like new clothes, entertainment, or holidays.

- Define the term household.
- Define the term necessities.
- Explain why their disposable household income is less than the total amount the family earns.

Taylor's mother decides to return to full-time work now that both children are over 14 years old and at school. This will significantly lift their family income.

(d) Explain how Taylor's mother returning to work will affect their household consumption patterns, with reference to necessities and luxuries.