

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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1.4 MARKET AND MARKET EQUILIBRIUM AS 90198

Describe the market and market equilibrium

1.4 1. The market

- the definition of a market
- alternatives to markets, eg self-sufficiency
- the diversity of operation of goods and services markets, eg mail order, internet, face to face
- the understanding that exchange usually occurs with the aid of money

▶ Jo buys her fruit and vegetables at farmers markets and organic shops.

- Describe what is meant by a market.
- State TWO markets, other than organic shops and farmers' markets, where Jo might be able to buy fruit and vegetables.

Jo has started to grow her own vegetables. Recently, she harvested more beans than she could consume, so she took some beans to the farmers' market and tried to swap the beans for some free-range eggs.

- Referring to the information above, identify one problem with barter as a method of exchange.

1.4 2. Consumer law

- the rights and obligations of participants in the market including:
 - The Fair Trading Act 1986
 - The Consumer Guarantees Act 1993
 - Contract law.

▶ At a recent farmers' market, Jo noticed that one of the sellers was giving away vegetables. Jo and others helped themselves.

- Describe a contract.
- Why would the giving away of vegetables not be a valid contract?

Rangi does face-painting at the farmers' market and charges \$5 per person.

- According to the Consumer Guarantees Act 1993, how is Rangi expected to perform his service?

1.4 3. Market equilibrium

- market demand as the sum of the demand of individual consumers
- market supply as the sum of the supply of individual producers
- identification of market equilibrium, excess supply and excess demand
- how the market reacts to excess demand or excess supply to reach equilibrium
- the effect of changes in supply and demand on price and quantity
- the effect of price controls, taxes (direct and indirect) and subsidies on market equilibrium

▶ Nathan decides to base his first Economics assignment on the market for plastic buckets. He obtains the following information from the market.

Market for Plastic Buckets		
Price (\$)	Market Demand	Market Supply
0.90	600	100
1.00	500	200
1.10	400	300
1.20	300	400
1.30	200	700

- On a graph, plot the market demand and market supply of plastic buckets. Clearly label all parts and use dotted lines to indicate the market equilibrium.
- What is the equilibrium price?
 - What is the equilibrium quantity?
- If the market price was \$1.00 would there be a surplus or shortage of plastic buckets in the market?
 - How many plastic buckets will there be a surplus or shortage of?
- Explain how the market would react to this situation. You should refer to your graph and discuss the effect on both price and quantity.

Nathan is surprised by the wide variety of buckets supplied in the market.

- Explain how market supply is derived, ie calculated.

1.4 4. Price and non-price competition

- ways firms compete through price and non-price competition
- advantages and disadvantages to both consumer and producer of price and non-price competition.

▶ On the way home from work, Taylor's father stopped at the dairy to get some milk. He was confused by the many new types of milk available and was unsure which type to buy.

- Explain why producers use product variation.
- Outline ONE advantage and ONE disadvantage, to both consumers and producers, of the increased product variation of milk.
- Product variation conflicts with economies of scale. Outline a consequence for consumers and a consequence for producers of the increasing use of product variation.



'Swisho', a large tennis racquet manufacturer, is using the above promotion.

Describe and fully explain ONE advantage and ONE disadvantage for the manufacturer with this type of promotion.