



For Supervisor's use only

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90236



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA



National Certificate of Educational Achievement
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

Level 2 Economics, 2004

90236 Explore issues using economic concepts and statistical data

Credits: Six

9.30 am Monday 22 November 2004

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 answer ALL the questions in this booklet.

If you need more space for any answer, use the pages provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–13 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.

Achievement Criteria		For Assessor's use only	
Achievement		Achievement with Merit	Achievement with Excellence
Define and describe economic concepts and terms in relation to the issues.	☐	Explain and apply economic concepts and terms in relation to the issues.	Evaluate economic concepts and terms in relation to the issues.
Process and interpret statistical data in relation to the issues.	☐	Analyse statistical data in relation to the issues and recognise limitations of the data.	Comprehensively analyse statistical data in relation to the issues.
Overall Level of Performance (all criteria within a column are met)			☐

You are advised to spend 60 minutes answering the questions in this booklet.

PART A

QUESTION ONE

- (a) (i) Describe the difference between an onshore service and an offshore service.

- (ii) Identify ONE example of each of:

- (1) an onshore service _____
- (2) an offshore service _____

- (b) A quota is a form of protectionism.

- (i) Define **quota** in the context of international trade.

- (ii) Give ONE reason why a quota might be used by the government as a form of protectionism.

- (c) A tariff is another form of protectionism.

- (i) Define **tariff** in the context of international trade.

- (ii) Explain why a tariff might be preferred to a quota as a form of protectionism.

QUESTION TWO

(a) (i) Identify TWO examples of **income**.

(1) _____

(2) _____

(ii) Identify TWO examples of **wealth**.

(1) _____

(2) _____

(b) Describe the difference between **equity** and **equality**.

(c) (i) Explain a situation where incomes could be equal but inequitable.

(ii) Explain a situation where a system of taxation could be unequal but equitable.

QUESTION THREE

- (a) (i) Describe ONE cause of a price rise in a particular market.

- (ii) Describe ONE cause of a general price rise.

- (b) Define **deflation**.

- (c) For each period on the table below, identify whether the percentage change in the general price level represents **inflation** or **deflation** and, where appropriate, also **disinflation**. Some periods require more than one answer. Write your answer in the space provided.

Time Period (year ended)	% Change in General Price Level	Inflation or Deflation (and where appropriate, also Disinflation)
Jun 2003	0	No Inflation
Sep 2003	2.3	
Dec 2003	1.6	
Mar 2004	2.4	
Jun 2004	0.2	
Sep 2004	– 0.7	

QUESTION FOURAssessor's
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- (a) Economic growth can be measured by changes in real income, productive capacity and net social welfare. Identify one strength and one weakness for each measure.

Measure	Strength	Weakness
(i) Changes in real income		
(ii) Productive capacity		
(iii) Net social welfare		

- (b) Choose the measure above that you think is the best indicator of economic growth. Give a reason for your choice.

Measure: _____

Reason: _____

PART B

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QUESTION ONE

Refer to the table below to answer this question.

Balance of Payments Quarter ended June 2003	
Major Components	NZ\$(million)
Exports	7 627
Imports of services	2 446
Outflow of current transfers	258
Income from foreign investment in NZ	2 296
Imports	7 216
Exports of services	2 290
Inflow of current transfers	320
Income from NZ investment abroad	545

(www.stats.govt.nz)

- (a) (i) Calculate the Balance on Goods \$_____ m surplus or deficit (circle one)
- (ii) Calculate the Balance on Services \$_____ m surplus or deficit (circle one)
- (iii) Calculate the Current Account Balance \$_____ m surplus or deficit (circle one)

(b) Give an example of an item that would be included in:

- (i) Exports of services

- (ii) Income from NZ investment abroad

(c) Give ONE reason why **income from foreign investment in NZ** is such a large amount.

(d) Identify ONE limitation of the data used to calculate the balance of payments.

QUESTION TWO

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Assume a household buys only the quantities of goods described in the table below.

Item Purchased	Quantity Purchased	Price (\$) Year 1	Price (\$) Year 2	Price (\$) Year 3
Bread	6	2.20	2.40	2.60
Cheese	1	7.00	7.50	8.00
Milk	3	2.40	2.50	2.60

- (a) Use the table provided below to calculate the rate of inflation in Year 2 and Year 3. Year 1 is the base year.

Year	Total Spending (\$)	Price Index	Rate of Inflation (%)
1		1000	—
2			
3			

- (b) Describe what is indicated by the rate of inflation you calculated for Year 2.

- (c) The Consumer Price Index (CPI) is a weighted price index. Describe what is meant by **weighted**.

- (d) Explain why the CPI is not a suitable indicator for a business to use when predicting its costs for the following year.

QUESTION THREEAssessor's
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- (a) Use the data in the table below to calculate the Gross Domestic Product (GDP) per capita.

GDP (\$m)	Population (million)	GDP per capita (\$)
81 700	3.85	

- (b) Describe what is indicated by the figure you calculated in (a).

- (c) Describe what GDP measures.

- (d) Identify TWO limitations of using GDP data to compare the standard of living between countries.

QUESTION FOUR

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Refer to the table below to answer this question.

2003 Average Weekly Income (\$)				
Gender	Male		Female	
Age Group	15 to 24	25 to 64	15 to 24	25 to 64
Ethnic Group				
European/Pākehā	440	957	333	598
Māori	415	772	337	530
Pacific Peoples	417	615	399	526
Other Ethnic Groups	341	828	339	654

(www.stats.govt.nz)

- (a) (i) Calculate the range of average weekly incomes in the female 15 to 24 age group.
-
- (ii) Identify the ethnic group that has the greatest difference between male and female earnings in the 15 to 24 age group.
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- (b) In the female 15 to 24 age group, Pacific Peoples have the highest average weekly income, but in the female 25 to 64 age group, Pacific Peoples have the lowest average weekly income. Suggest an economic reason that explains why this change might occur.
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-
-
-
- (c) Identify ONE reason why statistics related to average weekly incomes may not be a good indicator of the standard of living.
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PART C

Economic and Financial Forecasts				
Annual average % change	2002	2003f	2004f	2005f
Private consumption	4.4	5.4	4.6	2.0
Business investment	5.3	10.5	8.2	5.3
Exports	5.8	-0.1	-0.3	4.1
Imports	8.6	9.6	6.9	4.1
GDP	4.4	3.6	3.3	2.0

End of year	2002	2003	2004f	2005f
OCR	5.75	5.0	5.5	5.5
TWI	56	65.5	63.7	58.4

f = forecast

(www.westpac.co.nz)

The data in the tables above illustrates a range of economic relationships. Refer to the data to identify the following relationships, and provide an explanation for each relationship. Note that the figures in the upper part of the table are % changes from the previous year, while the figures in the lower part are at the rates at the end of each year.

- (a) Private Consumption and the OCR.

Relationship: _____

Explanation for relationship: _____

- (b) Business Investment and the OCR.

Relationship: _____

Explanation for relationship: _____

- (c) Exports and the TWI.

Relationship: _____

Explanation for relationship: _____

- (d) Imports and the TWI.

Relationship: _____

Explanation for relationship: _____

- (e) Referring **only** to the data provided, explain the factors that would have contributed to the forecast fall in the rate of economic growth between 2002 and 2003.

[illegible]

[illegible]

