

Exemplar of Excellence GP 17

QN	ANOTATION	GRADE
1a.	<ul style="list-style-type: none"> Used correct headings of Price and Quantity Indicated units (\$) , (000) boxes Accurately calculated 50% increase on 9000 (i.e. 13,500) 	A
1b	<ul style="list-style-type: none"> Title includes the item being supplied i.e. Apples but who is supplying should be Wong Orchards not "Sally's" Price and Quantity labels are written Units (\$) , (000) Scale of both axes are even Plotted points according to schedule with no irrelevant points plotted. Line is labelled with an "S" 	A
1c	<ul style="list-style-type: none"> Dotted lines are used at each price and quantity Arrows clearly show the start and finish price and quantity Correct Labels $P-P^1$ and Q^s-Q^{s1} are used 	A
1d	The candidate describes the Law of Supply very well, and explains Law of Supply by stating apples become " <i>less profitable</i> " (for merit.) To get a excellence on this question the candidate needed to write why apples become less profitable i.e. since costs cannot be as easily covered	M
2ai	Correctly shifts the whole curve to the right and provides an arrow and S^1 to illustrate the shift.	A
2aii	Links the long mild summer to the increase in supply by stating " <i>more fruit would grow</i> "	M
2aiii	Candidate simply repeats the idea of increased supply of stone-fruit. An excellence answer needed an economic consequence of the increase in supply of stone-fruit due to the climate conditions such as hiring more workers, re allocating resources to more profitable stone fruit etc....	N
2bi	Correctly shifts the whole curve to the left and provides an arrow and S^1 to illustrate the shift.	A
2bii	Links the idea of fewer workers available to an increase in costs of production (Did not just assume that less workers meant less supply, but actually explained why)	M
2biii	Uses the economic consequence of re allocating resources to more profitable stone fruit.	E
3a	Describes a subsidy as funds paid from Government to Producer and goes onto explain the subsidy in that it supports production.	M
3b	The candidate refers to the better growing conditions for Stone-fruit and the lack of skilled apple pickers as well as the subsidy cutting the cost of producing stone-fruit as pieces of information from previous questions to support the recommendation for Stone-fruit. (For Merit.) They then also refer to the idea that this makes stone-fruit more profitable than apples for Excellence.	E
	Overall Grade	E

This candidate has a very good knowledge of the concept of supply and was able to apply their answers to the case study. They clearly understood the concept of relative profitability, which is a key idea towards excellence.

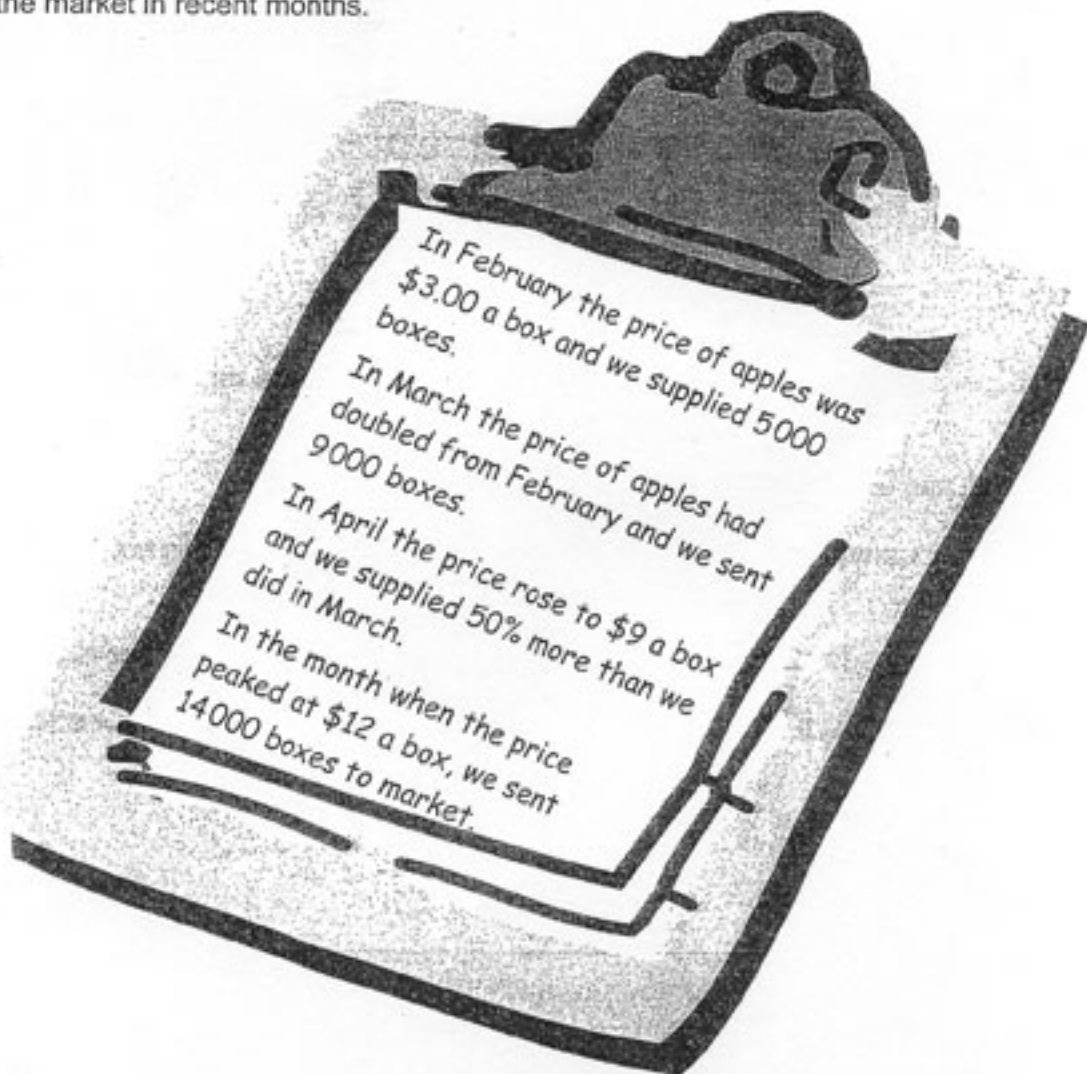
You are advised to spend 30 minutes answering the questions in this booklet.

Sally Wong owns *Wong's Orchards*. She mainly grows apples but also grows stone fruit (peaches, apricots and nectarines).

The amount of each produce Sally sends to the market depends on the prices of her output and various other factors.

QUESTION ONE

Sally's produce manager made some notes on the prices of apples and the amount picked and sent to the market in recent months.



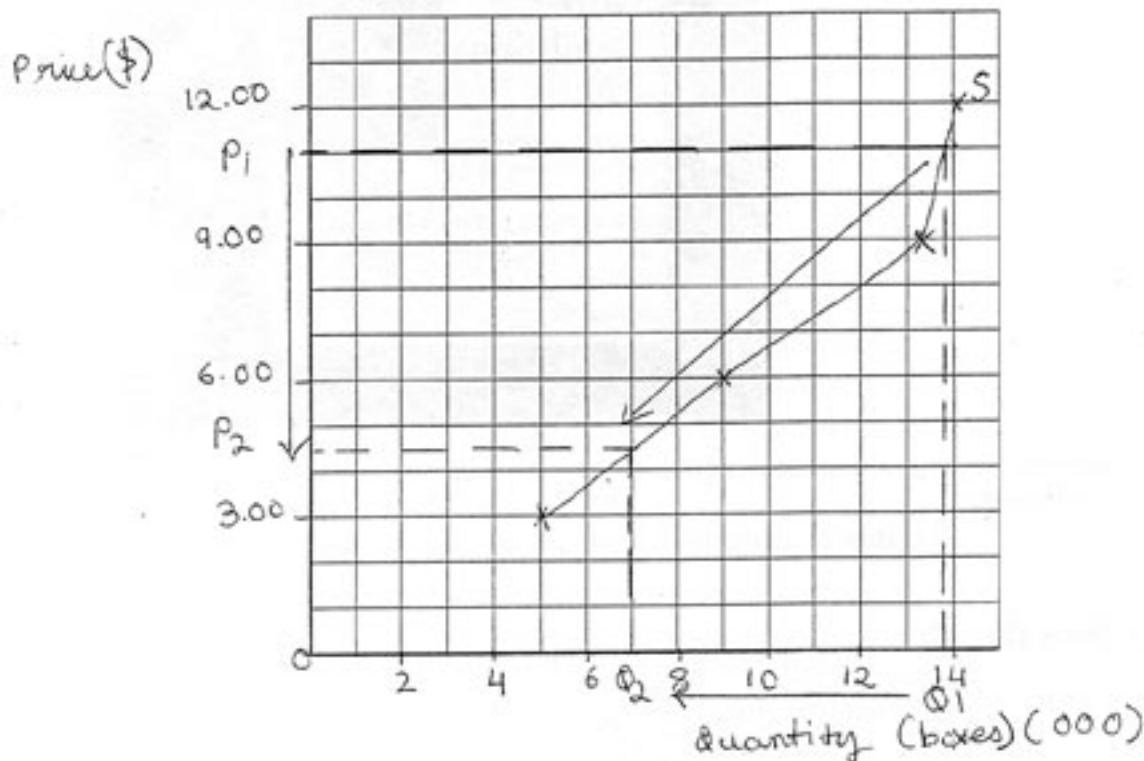
- (a) Use the produce manager's notes to complete the Supply Schedule for apples from *Wong's Orchard*. Include a heading for each column.

Supply of Apples from Wong's Orchards (price) per month	
Price (\$)	Quantity (boxes of apples)(000)
3.00	5
6.00	9
9.00	13.5
12.00	14

- (b) On the grid below, draw a fully labelled **supply curve** for apples from *Wong's Orchards*, using the information from your Supply Schedule in part (a) on page 2.

Assessor's
use only

Sally's supply of apples per month.



Sally is planning her picking for the next season when she reads this in the local paper:

Apple prices in decline

According to experts, the price of apples in the coming season is set to fall.

- (c) On your graph above, sketch the effect of a fall in the price of apples. Use appropriate dotted lines, arrows and labels.
- (d) **Explain** the relationship between the falling price of apples and the quantity of apples supplied by *Wong's Orchards*.

As price decreases, quantity of apples supplied by Wong's Orchards decreases, all other factors remaining unchanged (ceteris paribus). This is because supplying apples become relatively less profitable at a lower price than other businesses.

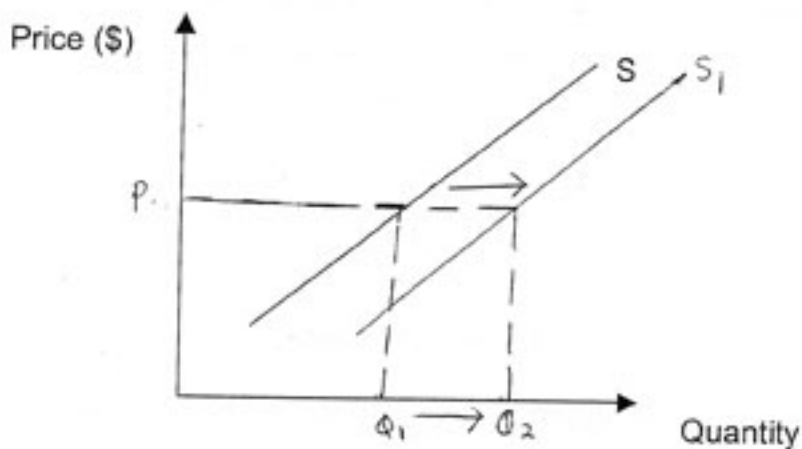
QUESTION TWO

Sally read some more news items about factors that could affect the supply of fruit from *Wong's Orchards*.



- (a) (i) If the summer is long and mild, show the effect this would have on the supply curve for Wong's stone fruit.

Supply of stone fruit from *Wong's Orchards*



- (ii) Explain why the long, mild summer weather would affect the supply curve for Wong's stone fruit in this way.

long mild summer weather would make growing conditions for stone fruit better, and more fruit would grow. So the average costs of production would decrease, making stone-fruit supply relatively more profitable. Thus the supply of stone fruits at each price will increase. This causes the supply curve to shift right.

- (iii) Explain an economic consequence of this event for Wong's Orchards.

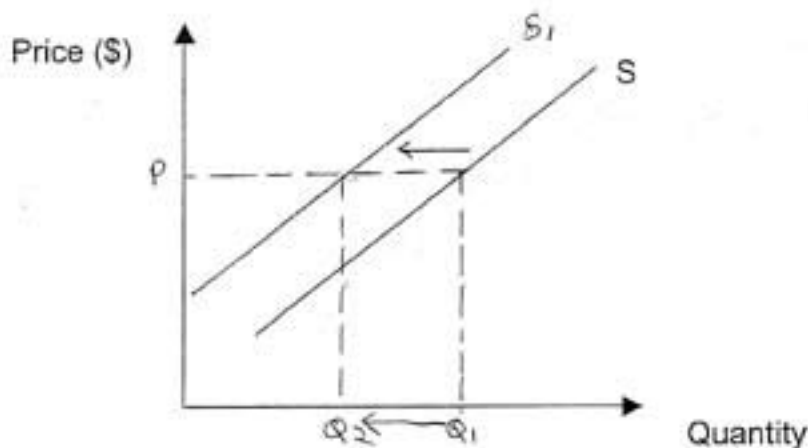
Wong's Orchards will have to increase supply of stone-fruit at each price, causing an increase in the supply. //

Skilled apple pickers in short supply

At a time when consumers want better quality apples, workers specifically skilled in picking and grading apples are becoming scarce, according to many growers.

- (b) (i) Show the effect a short supply of skilled pickers would have on the supply curve for Wong's apples.

Supply of apples from Wong's Orchards



- (ii) Explain why this short supply of pickers has affected the supply curve for apples in this way.

The decrease in ~~supply~~ pickers has increased the cost of production of apples. This makes supplying apples relatively ~~more~~ ^{less} profitable. So supply of apples at each price will decrease, causing a decrease in supply and

- (iii) Explain an economic consequence of this event for Wong's Orchards. ^{the supply curve to shift left}

Wong's Orchards will have to reallocate their resources to supply more of a ^{relatively} more profitable fruit eg. stone-fruits in order to ensure revenue keeps coming in.

QUESTION THREE

Assessor's
use only

In order to promote exports of New Zealand-grown **stone fruit** (eg peaches, nectarines and apricots), the government may decide to subsidise stone fruit growers.

- (a) Explain what a **subsidy** is.

M A subsidy is the money payed by the Government to a producer it wants to support or increase supply.

- (b) Make a recommendation to Sally as to whether she should concentrate her resources into **apples OR stone fruit** for the coming season, assuming the subsidy is introduced.

Recommendation: Apples Stone fruit (circle your choice)

Fully explain TWO reasons why the option you have recommended is better than the alternative. Use information from Questions One, Two and Three relating to both apples and stone fruit in your explanation.

E First reason: The stone fruit is being subsidised. This means that because the Govt. will pay ^{extra} ~~revenue~~ money to ~~start~~ Sally ~~for~~ as subsidy, the cost of producing stone fruits will decrease.

~~So~~ The supply of stone fruits will be relatively more profitable ~~so~~ than apples (which has no subsidy) and Sally's revenue will increase. ~~So~~ Thus she should reallocate her resources into stone fruits.

Second reason: The growing conditions for stone fruit is more favourable. ~~In addition,~~ this will ~~mean~~ more stone fruit is yielded. ~~Because~~ On the other hand, less apple will be picked because of shortage of pickers. So Sally should concentrate on picking and producing stone fruits. The subsidy will increase the revenue per stone fruit sold, ~~so that it is~~ and this added to the greater no. of stone fruits sold produced than apple will make it much more profitable than supplying apples. So to increase profits, Sally should concentrate on stone-fruits.