PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 1: CONSUMER BEHAVIOUR AND DEMAND

SCORE	PERCENTAGE
/116	%

STEMUP

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Q1.

The cross elasticity of demand for meat with respect to fish is estimated to be +0.13 in Bangladesh.

Explain the likely impact of a 10% increase in the price of fish on the demand for meat in Bangladesh.

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(Total for question = 4 marks)

Q2.

Which **one** of the following will cause a movement along the demand curve in the market for rice?

☒ **A** An increase in the global population

☒ **B** An increase in real incomes

☒ **C** A decrease in the price of noodles

☒ **D** A decrease in the price of rice

(Total for question = 1 mark)

Q3.

The table shows the average income and car sales in the USA in 2011 and 2021.

	Average income	Car sales
2011	$31 024	12 741 800
2021	$44 225	14 926 900

(Sources adapted from: https://www.statista.com/statistics/199983/us-vehicle-sales-since-1951/ and https://dqydj.com/individual-income-by-year/#:~:text=Average%20Individual%20Income%20by%20Year%20%20%20Year,%20%20%2463%2C214.03%20%2056%20more%20rows%20)

Ceteris paribus, calculate the income elasticity of demand for cars between 2011 and 2021. Show your working.

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(Total for question = 4 marks)

Q4.

The table shows average household income per month in Singapore and the total quantity of cinema tickets purchased by its citizens in 2020 and 2021.

Year	Average household income	Quantity of cinema tickets
2020	S$ 4 022	4.7 million
2021	S$ 4 166	7.6 million

(Source: adapted from https://www.statista.com/statistics/199983/us-vehicle-sales-since-1951/ and https://dqydj.com/individual-income-by-year/#:~:text=Average%20Individual%20Income%20by%20Year%20%20%20Year,%20%20%2463%2C214.03%20%2056%20more%20rows%20)

Ceteris paribus, calculate the income elasticity of demand for cinema tickets. Show your working.

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(Total for question = 4 marks)

Q5.

The table shows the number of new car sales and the average annual earnings per person in China for 2021 and 2022.

Year	Number of new car sales	Average annual earnings per person
2021	21.52 m	¥106 837
2022	23.56 m	¥114 029

Ceteris paribus, calculate the income elasticity of demand for new cars.
Show your workings.

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(Total for question = 4 marks)

Q6.

The table shows the average world price of sugar and world sugar consumption in 2019 and 2020.

	Average sugar price, per kg	Quantity of sugar consumed, million kg
2019	$11.28	172 620
2020	$15.06	171 600

Ceteris paribus, calculate the price elasticity of demand for sugar. Show your workings.

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(Total for question = 4 marks)

Q7.

In Canada, two of the largest internet providers, Bell and Rogers, increased prices in 2018. Consumers could save 25% by switching to smaller internet providers. However, most consumers remained with their more expensive internet providers.

Explain **one** reason why many consumers behave in this way and remain with their current internet providers.

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(Total for question = 4 marks)

Q8.

In the UK, new consumers paid an average of £130 for home insurance in 2020. Consumers who had remained with the same insurance company since 2015 paid £238 for the same annual home insurance cover. Despite this, many consumers stay loyal to their insurance company.

Which **one** of the following is the most likely reason why consumers stay loyal to their insurance company?

☒ **A** Consumers feel undervalued

☒ **B** Consumers have good computational skills

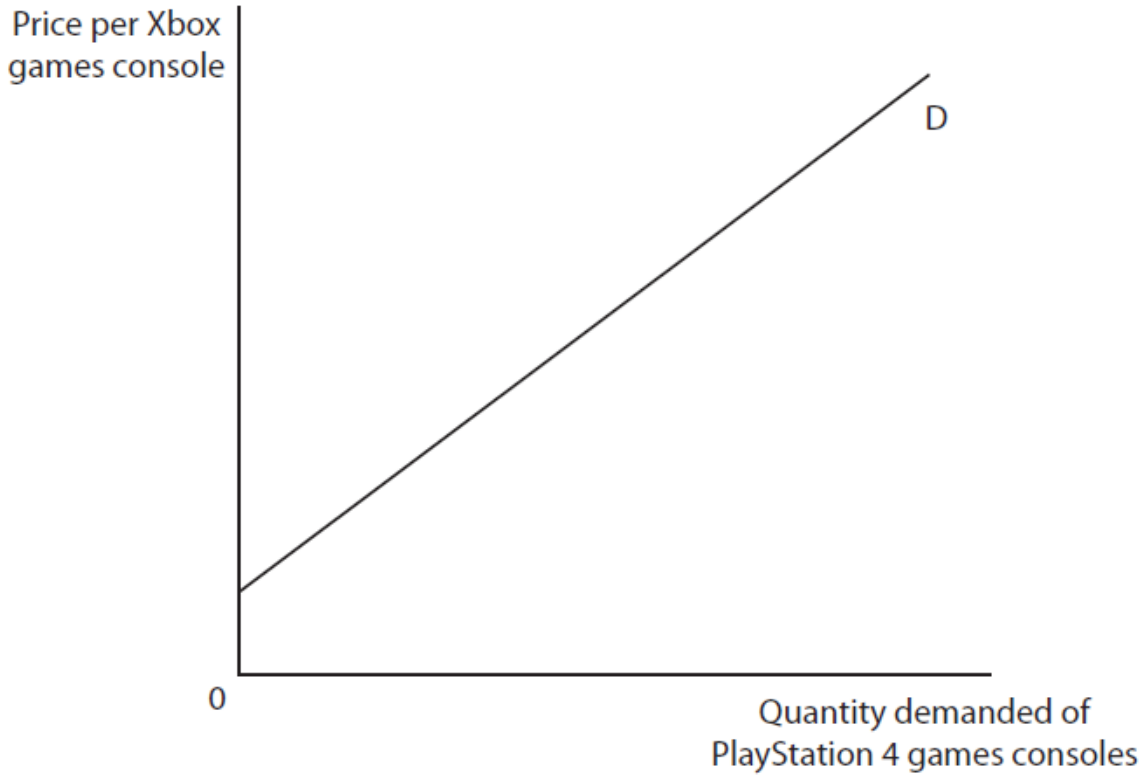
☒ **C** The free-rider problem

☒ **D** Habitual behaviour

(Total for question = 1 mark)

Q9.

The diagram shows the relationship between the price of Xbox games consoles and the quantity demanded of PlayStation 4 games consoles.



It can be deduced from the diagram that the two goods are

☒ **A** complementary goods

☒ **B** inferior goods

☒ **C** substitute goods

☒ **D** unrelated goods

(Total for question = 1 mark)

Q10.

The cross elasticity of demand for Pepsi cola with respect to Coca Cola is estimated to be +1.24.

Explain the likely impact of a 10% increase in the price of Coca Cola on the demand for Pepsi cola.

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(Total for question = 4 marks)

Q11.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the cross elasticity of demand for selected drinks with respect to sugar-sweetened drinks in Chile.

Drink	Cross elasticity of demand
Water	+0.63
Milk	+0.25
Coffee	+0.12

(source: https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-017-4098-x/tables/5)

Which **one** of the following can be deduced from the table?

☒ **A** The demand for coffee will be most responsive to a change in the price of sugar-sweetened drinks

☒ **B** The demand for water will be most responsive to a change in the price of sugar-sweetened drinks

☒ **C** An increase in the price of sugar-sweetened drinks will lead to a more than proportionate increase in the demand for milk

☒ **D** An increase in the price of sugar-sweetened drinks will lead to a decrease in the demand for water, milk and coffee

(Total for question = 1 mark)

Q12.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the estimated cross elasticity of demand in Indonesia for four goods with respect to a change in the price of rice.

Goods	Cross elasticity of demand
Vegetables	–0.05
Meat	–0.19
Fish	+0.40
Maize	+1.25

(Source adapted from https://econbeh.blogspot.com/2019/05/some-estimates-of-cross-price-elasticity.html)

Which **one** of the following can be deduced from the table?

☒ **A** Vegetables and rice are normal goods

☒ **B** Meat and rice are inferior goods

☒ **C** Fish is a complement for rice

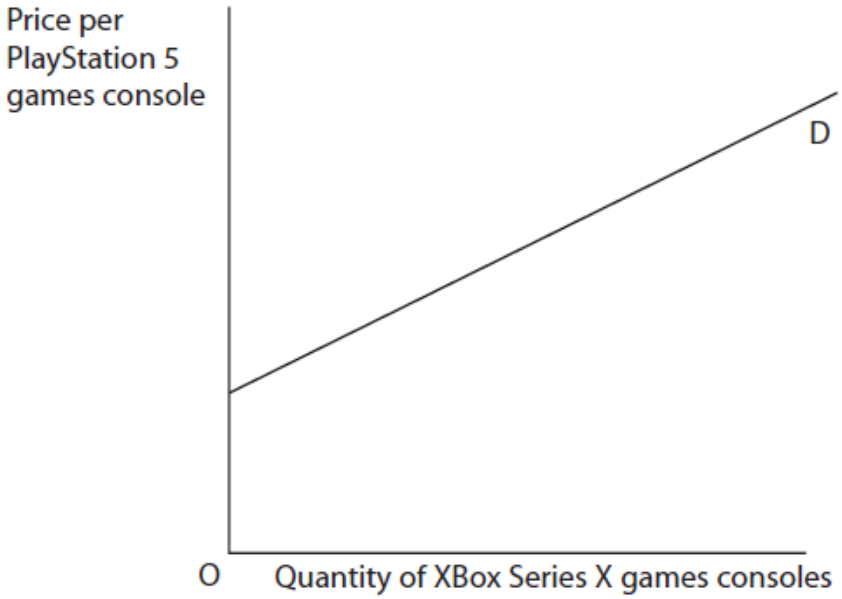
☒ **D** Maize is a substitute for rice

(Total for question = 1 mark)

Q13.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram illustrates the relationship between the price of PlayStation 5 games consoles and the quantity demanded of Xbox Series X games consoles.



Which **one** of the following can be deduced from the diagram about the relationship between PlayStation 5 games consoles and Xbox Series X games consoles?

☒ **A** They are substitutes

☒ **B** They are complements

☒ **C** They are unrelated goods

☒ **D** They are inferior goods

(Total for question = 1 mark)

Q14.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The cross elasticity of demand for Pepsi Cola with respect to a change in the price of Coca-Cola is estimated to be +0.62 in North America.

Which **one** of the following can be deduced from this information?

☒ **A** Pepsi Cola and Coca-Cola are complements

☒ **B** Pepsi Cola and Coca-Cola are substitutes

☒ **C** Pepsi Cola and Coca-Cola are unrelated goods

☒ **D** Pepsi Cola and Coca-Cola are normal goods

(Total for question = 1 mark)

Q15.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In North America the cross elasticity of demand for coffee with respect to a change in the price of milk was estimated to be –0.04.

Which **one** of the following can be deduced from this information?

☒ **A** Coffee and milk are inferior goods

☒ **B** Coffee and milk are substitute goods

☒ **C** Coffee and milk are unrelated goods

☒ **D** Coffee and milk are complementary goods

(Total for question = 1 mark)

Q16.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the estimated cross elasticity of demand for selected drinks with respect to a change in the price of soft drinks in Chile.

Drink	Cross elasticity of demand
Milk	+0.25
Coffee	+0.10
Water	+0.63

Which **one** of the following can be deduced from this information?

☒ **A** All three goods are complements of soft drinks

☒ **B** All three goods are substitutes for soft drinks

☒ **C** All three goods are normal goods

☒ **D** All three goods are luxury goods

(Total for question = 1 mark)

Q17.

Answer the question with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the estimated cross elasticities of demand for selected types of vehicle with respect to a change in the price of petrol vehicles in Norway.

Types of vehicles	Cross elasticity of demand
Electric	+0.19
Plug-in hybrid	+0.25
Diesel	+0.64

(Source: adapted from https://etrr.springeropen.com/articles/10.1186/s12544-020-00454-2)

Ceteris paribus, which **one** of the following can be deduced from this information?

☒ **A** All three types of vehicle are normal goods

☒ **B** All three types of vehicle are inferior goods

☒ **C** All three types of vehicle are complements of petrol vehicles

☒ **D** All three types of vehicle are substitutes for petrol vehicles

(Total for question = 1 mark)

Q18.

In the Netherlands the cross-elasticity of demand for organic meat with respect to a change in the price
of non-organic meat is +0.5.

Which **one** of the following can be deduced from this information?

☒ **A** Organic meat and non-organic meat are substitutes

☒ **B** Organic meat and non-organic meat are normal goods

☒ **C** Organic meat and non-organic meat are unrelated goods

☒ **D** Organic meat and non-organic meat are complements

(Total for question = 1 mark)

Q19.

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering this question.

Define the term 'complementary goods' (Extract A, line 8).

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(Total for question = 2 marks)

Q20.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

Define the term 'price elasticity of demand'. (Figure 2)

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(Total for question = 2 marks)

Q21.

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering the question.

Define the term 'substitutes' (Extract A, line 12).

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(Total for question = 2 marks)

Q22.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering the question.

Define the term 'substitutes' (Extract A, line 8).

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(Total for question = 2 marks)

Q23.

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering this question.

Define the term 'substitutes' (Extract A, line 9).

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(Total for question = 2 marks)

Q24.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Which **one** of the following statements is a consequence of diminishing marginal utility?

☒ **A** Total utility will rise at a faster rate as more of a product is consumed

☒ **B** The supply curve for a product will slope upwards

☒ **C** The demand curve for a product will slope downwards

☒ **D** Total utility will rise at a constant rate as more of a product is consumed

(Total for question = 1 mark)

Q25.

The table shows the estimated price elasticity of demand for railway tickets for use on underground trains in selected Mexican cities in 2020.

City	Price elasticity of demand
Guadalajara	–0.32
Mexico City	–0.25
Monterrey	–0.23

(Source adapted from: https://www.nber.org/system/files/working_papers/w28244/w28244.pdf)

Which **one** of the following can be deduced from the table?

☒ **A** The demand for railway tickets in Guadalajara is price elastic

☒ **B** A decrease in the price of railway tickets in Mexico City will decrease total revenue

☒ **C** An increase in the price of railway tickets in Monterrey will decrease total revenue

☒ **D** The demand for the railway tickets in all three cities will decrease in response to an increase in income

(Total for question = 1 mark)

Q26.

The table shows the estimated income elasticity of demand for various goods and services in the USA.

Item	Estimates of income elasticity of demand
Cheese	-0.51
Public transport	-0.36
Ice cream	+0.83
Motor cars	+2.56

(Source: http://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1102&context=agecon_cornhusker)

Which **one** of the following can be deduced from the table?

☒ **A** Cheese has relatively price inelastic demand.

☒ **B** Public transport is a normal good.

☒ **C** An increase in real income will result in a less than proportionate decrease in demand for ice cream.

☒ **D** A decrease in real income will result in a more than proportionate decrease in the demand for motor cars.

(Total for question = 1 mark)

Q27.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The table shows the estimated income elasticity of demand for four items.

Item	Income elasticity of demand
Caribbean holidays	+2.02
Healthcare	+0.70
Electricity	+0.40
Bus travel	–0.70

Which **one** of the following can be deduced from the table?

☒ **A** Caribbean holidays are an inferior good

☒ **B** Demand for healthcare is income elastic

☒ **C** Electricity is a normal good

☒ **D** Demand for bus travel is price inelastic

(Total for question = 1 mark)

Q28.

In 2017 floods in Bangladesh resulted in 8 million people having to move from their homes. 100 000 houses were destroyed and many crops were lost. The Institute of Water and Flood Management claim that there had been an under-investment in flood defences.

Evaluate reasons for this under-investment in flood defences. Make reference to public goods in your answer.

(Total for question = 20 marks)

Q29.

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to the last paragraph of Extract C, examine **two** likely effects on smartphone manufacturers of the growth in the market for refurbished smartphones.

(Total for question = 8 marks)

Q30.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet.

With reference to Extract A, explain the impact of the availability of substitutes on the price elasticity of demand for palm oil.

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(Total for question = 4 marks)

Q31.

The cross elasticity of demand of milk with respect to sugar-sweetened drinks is +0.25.

Explain the likely impact of a 5% increase in the price of sugar-sweetened drinks on the market for milk.

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(Total for question = 4 marks)

Q32.

Study Figure 1 and Extracts A and B in the Source Booklet before answering this question.

Explain what is meant by the term 'rational decision'. Refer to Extract B in your answer.

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(Total for question = 4 marks)

Q33.

Unilever, a manufacturer of food, personal care and home care products, experienced an increase in total costs of €4.4 billion in 2022. As a result, the company raised its prices, on average, by 13.2% in Europe. Consequently, there was a 6.8% decrease in the number of items sold by Unilever because consumers switched to cheaper alternatives.

With reference to this information, explain what is meant by the term 'rational decision making'.

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(Total for question = 4 marks)

Q34.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

Between 2020 and 2021 real incomes increased by 6.8% in Beijing.

With reference to Figure 2, explain whether chicken is a normal good or an inferior good.

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(Total for question = 4 marks)

Q35.

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering this question.

With reference to Figure 2, explain whether demand for **each** of the four selected food groups is price elastic or
price inelastic.

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(Total for question = 4 marks)

Q36.

Many hotels offer an all-you-can-eat breakfast buffet. 80% of hotel guests go to the breakfast buffet three times for food but only 10% visit five times.

With reference to hotel breakfasts, explain why the above information illustrates 'diminishing marginal utility'.

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(Total for question = 4 marks)

Q37.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In April 2018, the Singapore Government passed a law allowing consumers to change electricity providers. Most consumers have not switched their electricity provider despite the opportunity to save, on average, 20% on their bills.

Which **one** of the following could explain this behaviour?

☒ **A** Consumers are good at computation

☒ **B** Consumers aim to maximise their utility

☒ **C** Consumers are influenced by the behaviour of others

☒ **D** Consumers feel undervalued by their current provider

(Total for question = 1 mark)

Q38.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer

with a cross ☒.

The table shows the estimated income elasticity of demand for selected food items in the UK.

Food item	Income elasticity of demand
Butter	+0.20
Coffee	+0.16
Margarine	–0.37
Tea	–0.02

(Source: https://pdfs.semanticscholar.org/c384/d29d9fb4993d265c9bed5be20f6d984b09c3.pdf)

Which **one** of the following can be deduced from the data?

☒ **A** A decrease in real income will result in a more than proportionate decrease in demand for butter

☒ **B** An increase in real income will result in a less than proportionate increase in demand for coffee

☒ **C** A decrease in real income will result in a more than proportionate increase in demand for margarine

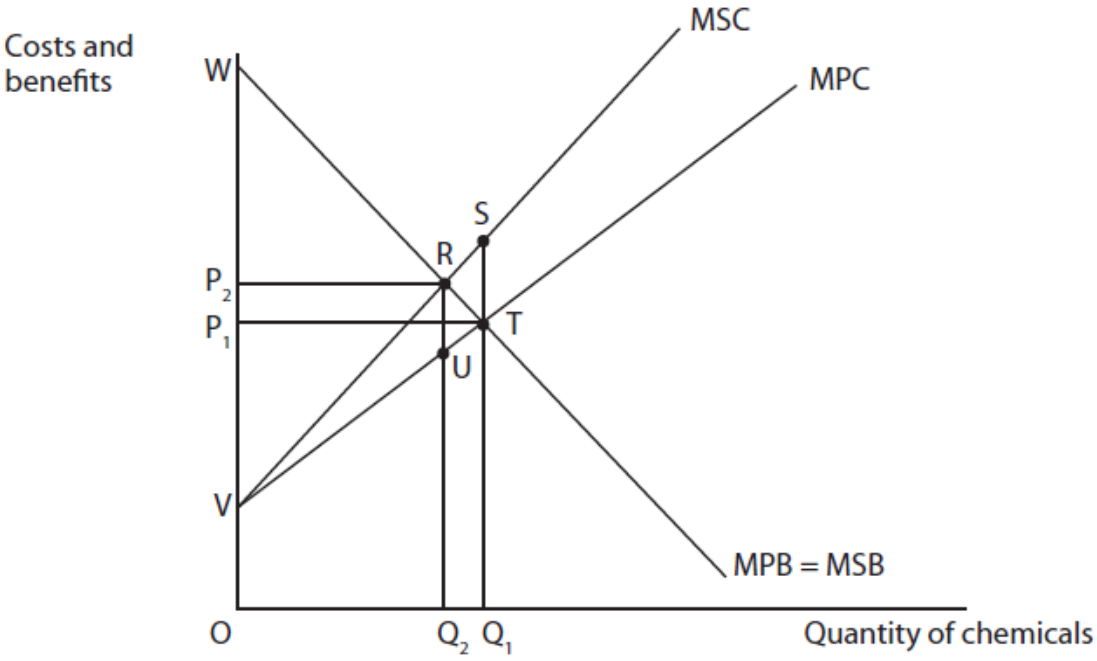
☒ **D** An increase in price will result in a less than proportionate decrease in demand for tea

(Total for question = 1 mark)

Q39.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The diagram shows the market for the production of chemicals.



Which **one** of the following can be deduced from the diagram?

☒ **A** The social optimum quantity is Q_1 and price is P_1

☒ **B** The market equilibrium quantity is Q_2 and price is P_2

☒ **C** The welfare loss area is RTU

☒ **D** The welfare loss area is RST

(Total for question = 1 mark)

Q40.

In the USA the income elasticity of demand for margarine is –0.2. In April 2021 real incomes increased by 15%.

Draw a diagram to illustrate the likely impact of this increase in real incomes on the equilibrium price
and quantity of margarine.

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(Total for question = 4 marks)