PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 1: PRICE DETERMINATION

SCORE	PERCENTAGE
/338	%

STEMUP

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Q1.

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 ☒.

Which **one** of the following is a function of the price mechanism?

☒ **A** An increase in the price of hand sanitisers, caused by an increase in demand, will ration them to those who are most able to pay

☒ **B** A decrease in the price of carrots, caused by excess supply, provides farmers with the incentive to increase supply

☒ **C** A decrease in the price of tinned meat is a signal to producers that demand for it is increasing

☒ **D** An increase in the price of petrol is a signal to the government to impose a maximum price

(Total for question = 1 mark)

Q2.

Analyse **one** reason why 'the price of plastic waste material fell by more than 40%.' (Extract A, line 2).

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q3.

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

Analyse why the price of vanilla increased significantly between 2014 and 2018. Refer to Figure 2 and Extract A in your answer.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 6 marks)

Q4.

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

With reference to Figure 1 and the first paragraph of Extract A, analyse **one** demand reason and **one** supply reason why the price of chicken increased by 147% between May 2020 and May 2022.

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q5.

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

With reference to Figure 1 and Extract A, analyse **one** reason why the price of cocoa beans 'fell below $2 000 per tonne' (Extract A, line 8) in April 2017.

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q6.

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

With reference to paragraph 1 of Extract A, analyse **two** reasons why house prices increased between March 2020 and March 2021.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 6 marks)

Q7.

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

With reference to Figure 1 and Extract B, analyse **two** reasons why the 'world price of lithium increased by 191%' (Extract B, line 2).

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q8.

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

With reference to Figure 1 and Extract A, analyse **two** reasons why the price of rice increased between July 2022 and
July 2023.

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q9.

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

With reference to Figure 1 and Extract A, analyse **two** reasons why the world price of sugar fell between August 2017 and August 2018.

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q10.

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

With reference to the information provided, analyse **two** reasons why the price of palm oil decreased in 2018.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 6 marks)

Q11.

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

Analyse why the global price of oil fell in the first quarter of 2020. Refer to Figure 1 and Extract A in your answer.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 6 marks)

Q12.

Between 2019 and 2022 the number of international visitors to Czechia decreased from 6.8 million to 4.5 million.

Ceteris paribus, explain the likely impact on producer surplus in the hotel market in Czechia.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 4 marks)

Q13.

In September 2018 the global price of wheat decreased by 3%. This was caused by an increase in supply from the USA.

Explain the likely impact of this fall in price on consumer surplus in the market for wheat. Illustrate your answer with a diagram.

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(Total for question = 4 marks)

Q14.

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

Define the term 'equilibrium' (Extract A, line 2).

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(Total for question = 2 marks)

Q15.

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

Define the term 'indirect tax' (Extract B, line 20).

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(Total for question = 2 marks)

Q16.

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

With reference to Figure 1 and Extract A, analyse **one** demand factor *and* **one** supply factor that caused the price of fertiliser to increase between January 2021 and April 2022.

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

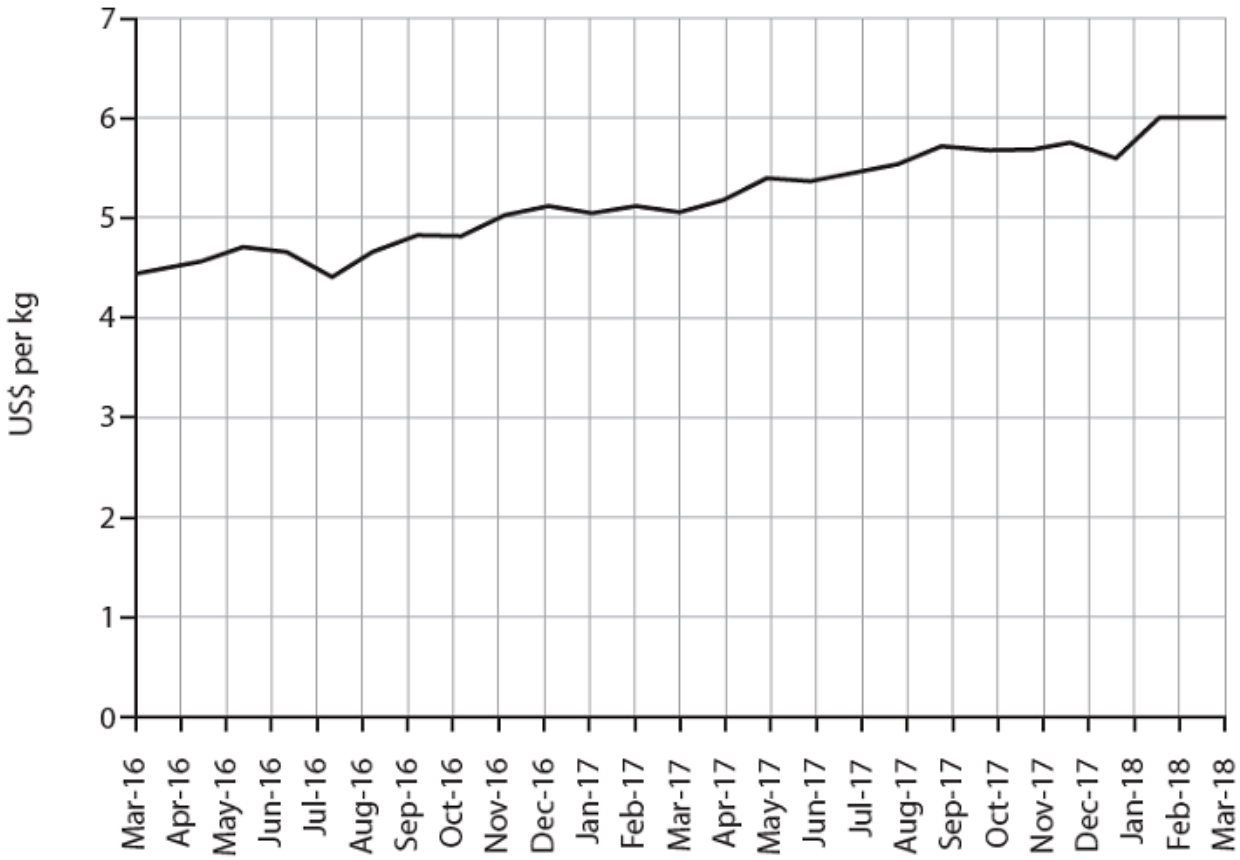
Q17.

The market for meat

Figure 1 Australian consumers' income elasticity of demand for lamb

	Income elasticity of demand (estimated)
Lamb	– 0.146

Figure 2 World price of lamb, US$ per kg, March 2016 to March 2018



Extract A The price of lamb

The rise in the price of lamb has come at a time when supply is stable. Higher demand for lamb has been caused by a number of factors. Rising global incomes led to a 28% increase in demand for Australian lamb in 2017. At the same time demand has risen in the USA. Successful advertising campaigns have also contributed to increased demand. 5

The lambs in Australia are often allowed to walk and graze freely and most of their food is wild grass which is considered to be a free good.

Extract B Indirect tax on meat needed to address climate change

Meat consumption continues to increase around the world and meat production has risen in response. However, meat production has a damaging effect on the environment causing water pollution and 15% of all global greenhouse gas emissions. Excessive use of antibiotics to treat animals is also leading to a decline in the effectiveness of antibiotics used to treat human illnesses.

Many people consume too much meat, seriously damaging their health. This results in an increase in obesity, diabetes and cancer. For example, consuming 100 grams of red meat per day increases the risk of developing diabetes by 19%.

The Paris climate agreement set limits on the amount of global greenhouse gas emissions. However these targets will be missed unless taxes are used to restrict production and consumption.

One study looked at the impact of the introduction of a global meat tax. This study found a 40% tax on beef, a 20% tax on dairy products and a 8.5% tax on chicken would reduce emissions and save 500 000 lives a year.

The problems associated with meat production are not well-known by the public. One way to reduce emissions without the need for a tax would be for governments to provide the public with information on the external costs associated with meat production and consumption.

With reference to Figure 2 and Extract A, analyse **one** reason why the price of lamb increased during 2017.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 6 marks)

Q18.

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

With reference to Figure 1 and Extract A, analyse **one** demand factor and **one** supply factor that caused the price of uranium to more than double between January 2020 and September 2023.

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q19.

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

With reference to Figure 1 and Extract A, analyse **one** supply factor and **one** demand factor that caused the price of cocoa to increase by approximately 68% between November 2022 and November 2023.

Illustrate your answer with a supply and demand diagram.

(Total for question = 6 marks)

Q20.

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

With reference to Extract C, discuss the benefits of subsidies paid to rice growers.

Illustrate your answer with an appropriate diagram.

(Total for question = 14 marks)

Q21.

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

With reference to Extract B, discuss the likely microeconomic effects of the subsidy paid to the manufacturers of electric cars.

Illustrate your answer with an appropriate diagram.

(Total for question = 14 marks)

Q22.

In October 2017 the United Arab Emirates (UAE) introduced an indirect tax on energy drinks. The tax is charged at 50% of the price of energy drinks.

Draw a diagram to illustrate the impact of the introduction of the indirect tax on the equilibrium price and quantity of energy drinks in the UAE.

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(Total for question = 4 marks)

Q23.

The Government of Finland plans to offer a subsidy of €400 for each purchase of an electric bicycle. The aim is to encourage cycling to reduce the use of motor cars.

Evaluate the economic effects of subsidising electric bicycles.

(Total for question = 20 marks)

Q24.

Study Figure 1, Extract A, Figure 2 and Extract B in the Source Booklet before answering this question.

With reference to Extract B and your own knowledge, discuss the possible effects of a subsidy paid to manufacturers of battery electric buses (BEBs).

Illustrate your answer with an appropriate diagram.

(Total for question = 14 marks)

Q25.

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

With reference to Extract A, examine **two** likely effects of the high level of indirect taxation on diesel and petrol in India.

(Total for question = 8 marks)

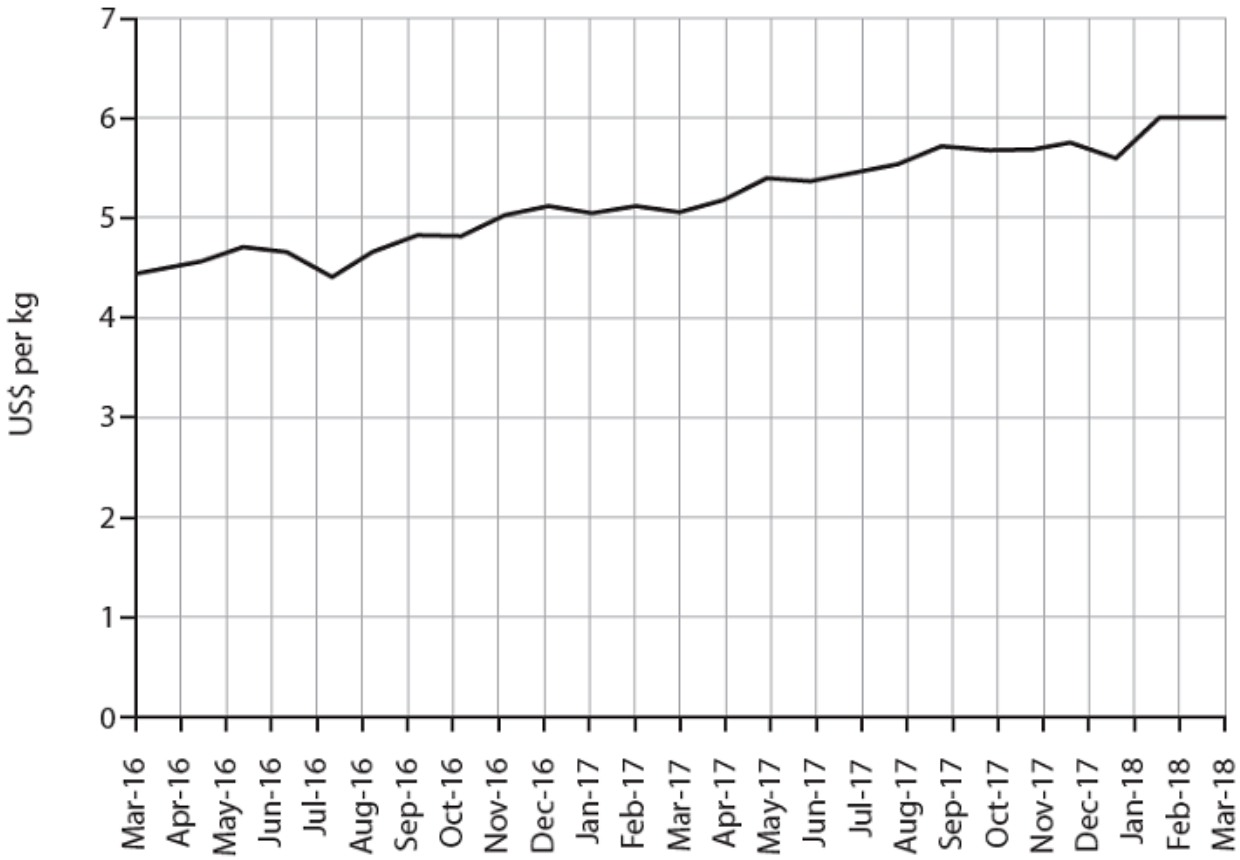
Q26.

The market for meat

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Lamb	– 0.146

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The lambs in Australia are often allowed to walk and graze freely and most of their food is wild grass which is considered to be a free good.

Extract B Indirect tax on meat needed to address climate change

Meat consumption continues to increase around the world and meat production has risen in response. However, meat production has a damaging effect on the environment causing water pollution and 15% of all global greenhouse gas emissions. Excessive use of antibiotics to treat animals is also leading to a decline in the effectiveness of antibiotics used to treat human illnesses.

Many people consume too much meat, seriously damaging their health. This results in an increase in obesity, diabetes and cancer. For example, consuming 100 grams of red meat per day increases the risk of developing diabetes by 19%.

The Paris climate agreement set limits on the amount of global greenhouse gas emissions. However these targets will be missed unless taxes are used to restrict production and consumption.

One study looked at the impact of the introduction of a global meat tax. This study found a 40% tax on beef, a 20% tax on dairy products and a 8.5% tax on chicken would reduce emissions and save 500 000 lives a year.

The problems associated with meat production are not well-known by the public. One way to reduce emissions without the need for a tax would be for governments to provide the public with information on the external costs associated with meat production and consumption.

With reference to Extract B, discuss the likely effects of the introduction of an indirect tax on meat.

Illustrate your answer with an appropriate diagram.

(Total for question = 14 marks)

Q27.

The table shows the quantity of bottled water supplied and the quantity of bottled water demanded at different prices. An advertising campaign results in an increase in demand of 100 bottles of water at each price.

Price per bottle (yuan)	Original quantity demanded per week	Original quantity supplied per week	
¥10	700	200	
¥11	600	300	
¥12	500	400	
¥13	400	500	
¥14	300	600	

Using the data in the table, calculate the equilibrium price for bottled water after the advertising campaign. Show your workings. You may wish to use the last column in your calculation.

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(Total for question = 4 marks)

Q28.

In 2019 the price of a litre of diesel was 65% higher in Thailand than in Malaysia. The price difference was because of higher taxation on diesel in Thailand. This led to illegal smuggling. For example, on one night, Thai authorities seized 300 000 litres of diesel that was illegally imported from Malaysia.

Evaluate possible causes of government failure in a market of your choice.

(Total for question = 20 marks)

Q29.

Between 2000 and 2019 in China the average price of a house increased from 4 000 yuan per square metre (m^2) to 60 000 yuan per m^2. The ratio of average house prices to average incomes increased from 5.6 to 7.6, showing that houses were becoming less affordable.

Evaluate the impact of market bubbles in the housing market.

(Total for question = 20 marks)

Q30.

Fertiliser is used by farmers to increase the output of crops per acre of farmland. In 2021 farmers experienced a 400% increase in the cost of fertiliser. Between March 2021 and March 2022 the global food price index increased by 38%.

Evaluate the impact of the 400% increase in the cost of fertiliser on farmers and households.

Include one diagram to show the impact on farmers in your answer.

(Total for question = 20 marks)

Q31.

In the Netherlands 68% of the price consumers pay for a litre of petrol is indirect tax. In neighbouring Germany indirect tax represents just 59%.

Evaluate the impact of these indirect taxes charged on petrol.

(Total for question = 20 marks)

Q32.

In 2022 General Motors received a $1 billion subsidy from the US Government to open two new electric vehicle factories in the USA. This was expected to generate 4 000 new jobs.

Evaluate the microeconomic effects of subsidies paid to electric vehicle manufacturers.

Include at least one appropriate diagram in your answer.

(Total for question = 20 marks)

Q33.

In January 2022 average energy prices increased by 28.6% in the eurozone area. In response:

- the German Government provided subsidies to energy producers
- the Spanish Government reduced indirect taxes on energy bills
- the French Government introduced a maximum price on energy bills.

Evaluate **two** possible measures that could be introduced to reduce the price that consumers pay for energy.

Include at least one diagram in your answer.

(Total for question = 20 marks)

Q34.

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

With reference to Extract B, examine **two** possible effects of information gaps on the consumption of sugar.

(Total for question = 8 marks)

Q35.

Between 2017 and 2022 the cost to produce a Tesla electric vehicle decreased, on average, from $84 000 to $36 000. Other electric vehicle manufacturers experienced similar reductions in production costs.

Ceteris paribus, explain the likely impact of this change in production costs on producer surplus in the electric vehicle market.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 4 marks)

Q36.

In 2019 there were 15.7 million visitors to Legoland's eight theme parks globally. In 2021 this number decreased to 9.4 million.

Ceteris paribus, explain the likely impact of this decrease in visitor numbers on the producer surplus for Legoland.

Illustrate your answer with an appropriate diagram.

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(Total for question = 4 marks)

Q37.

Between August 2018 and August 2019 the world price of sweet potatoes increased from $12 to $22.50 per box. This was caused by Hurricane Florence and heavy rains in the USA, the world's largest supplier.

Explain the likely impact of this change in price on consumer surplus in the market for sweet potatoes. Illustrate your answer with a diagram.

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(Total for question = 4 marks)

Q38.

Between 2021 and 2022 the production of tomatoes in the EU decreased from 17.9 million tonnes to 15.5 million tonnes. The average price of tomatoes in the EU increased from €143 per tonne to €153 per tonne.

Ceteris paribus, explain the likely impact of this change in supply on consumer surplus in the tomato market.

Illustrate your answer with a supply and demand diagram.

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(Total for question = 4 marks)

Q39.

Which **one** of the following is a function of the price mechanism?

☒ **A** To create an incentive for producers to decrease the quantity supplied when the price increases.

☒ **B** To encourage government intervention to allocate scarce resources.

☒ **C** To provide a signal to producers and consumers about changes in supply and demand when prices change.

☒ **D** To ration scarce resources by allowing prices to decrease when demand increases.

(Total for question = 1 mark)

Q40.

In 2021 the global price of cotton increased substantially. This resulted in an increase in the price of a cotton t-shirt from $1.50 to $2.

Rising fertiliser costs caused farmers to switch from growing wheat for bread production to growing wheat for animal feed that requires less fertiliser**.**

With reference to the information given, explain the difference between the rationing function and the incentive function of the price mechanism.

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(Total for question = 4 marks)