

2.3 Demand

Question Paper

Course	CIE IGCSE Economics
Section	2. The Allocation of Resources
Topic	2.3 Demand
Difficulty	Medium

Time allowed: 50
Score: /40
Percentage: /100

Question 1

The population of Hungary is the most obese in Europe. Hungarians eat fewer vegetables than most Europeans and more food types that may be considered to be demerit goods. In 2017, the Hungarian government introduced a tax on unhealthy food, known as the chips tax. The tax has had some success in moving demand to healthier foods. Some economists suggest that governments should use price controls as well as taxes to influence the food market.

Explain the difference between an extension in demand and an increase in demand.

[4 marks]

Question 2

In 2017, the Brazilian paper industry was booming. Its total revenue increased and it employed both more, and better quality, factors of production. Brazil's largest paper producer merged with an Indonesian paper-producing firm at the end of 2017. The performance of Brazil's coffee industry differed from its paper industry. Brazilian coffee experienced a fall in demand and a fall in total revenue.

Discuss whether or not demand for coffee is likely to rise in the future.

[8 marks]

Question 3

Identify, from the extract, **two** pairs of substitutes.

Refer to the [source material](#) in your answers

[2 marks]

Question 4

In May 2017, the price of olive oil rose by more than 10%. This was caused by a drought in Greece, Italy, Spain and Tunisia, the major producing countries. Global supply was forecast to fall by 14% in 2017. Demand for olive oil fell in Europe, but rose in a number of other countries including Australia, Brazil and China. Some basic food items, including bread and rice, are taxed in some countries but are subsidised in other countries.

Analyse why the demand for a product may be higher in one country than in another country.

[6 marks]

Question 5

In 2017, the UK included bicycle helmets for the first time in its calculation of the consumer prices index (CPI). Many bicycle retailers now provide their customers with a choice of bicycle helmets. Estimates show that 25 million bicycle helmets are sold globally per year and the number sold is on a steady upward trend.

Analyse the possible reasons for the increase in global demand for bicycle helmets.

[6 marks]

Question 6

Indian Railways is a state-owned enterprise, owned and operated by the Ministry of Railways. There is currently only one privately-owned railway line in India. The market for rail travel is influenced by changes in the markets for other forms of transport. For instance, changes in the supply of oil and petrol influence the market for car travel.

Discuss whether or not car travel will increase in the future.

[8 marks]

Question 7

In 2016, the world shortage of peanuts increased their price. China, which has traditionally been a net exporter of peanuts, was about to become a net importer. South Africa, which is an exporter of high-quality, high-cost peanuts used in chocolate confectionery, experienced the worst drought on record. A higher number of South African farmers applied for bank loans in the same year.

Explain two influences on a country's demand for food.

[4 marks]

Question 8

In the UK, bus journeys outside London have fallen by nearly 40% since 1980. This fall in demand has been largely due to a rise in bus fares, a rise in income and changes in the price and quality of substitutes. On some routes there are monopolies operating and this lack of competition can push up the price.

Define a *substitute* and give an example.

[2 marks]