

2.4 Supply

Question Paper

Course	CIEIGCSE Economics
Section	2. The Allocation of Resources
Topic	2.4 Supply
Difficulty	Medium

Time allowed: 30
Score: /24
Percentage: /100

Question 1

India and Ecuador are two major producers of bananas. India is the world's largest producer of bananas while Ecuador is the world's largest exporter. Multinational companies (MNCs) produce some of the bananas in both countries. The World Health Organization (WHO) recommends that each person should eat 400 grams of fruit and vegetables a day. To encourage people to eat more fruit and vegetables governments may use policy measures such as maximum prices and subsidies.

Explain two reasons why the supply of bananas may decrease.

[4 marks]

Question 2

A local manufacturer of medicines (pharmaceuticals) in Nigeria wants to expand which will increase the contribution of this industry to the Gross Domestic Product (GDP) of the country. This firm's expansion may enable Nigeria to reduce its dependence on imports of medicines and may make medicines more affordable. To ensure success, however, the firm will need to increase its investment in research and development.

Analyse how investment in research and development (R&D) can help a firm to grow in size.

[6 marks]

Question 3

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.

Explain two reasons why the supply of a raw material such as oil may rise in the future.

[4 marks]

Question 4

Droughts in the Pacific Coast region of the US and regulations, in the form of limits on the amount of salmon that can be caught in the wild, have reduced the supply of wild salmon. These limits were imposed to avoid market failure in the salmon market. However, the effect of this on the revenue of salmon producers is uncertain. In addition, producers of farmed salmon in the US states of Washington and Alaska have received subsidies from the US government.

Define *supply*.

[2 marks]

Question 5

Droughts in the Pacific Coast region of the US and regulations, in the form of limits on the amount of salmon that can be caught in the wild, have reduced the supply of wild salmon. These limits were imposed to avoid market failure in the salmon market. However, the effect of this on the revenue of salmon producers is uncertain. In addition, producers of farmed salmon in the US states of Washington and Alaska have received subsidies from the US government.

Discuss whether or not government subsidies are beneficial to producers.

[8 marks]