

2.6 Price Changes

Question Paper

Course	CIE IGCSE Economics
Section	2. The Allocation of Resources
Topic	2.6 Price Changes
Difficulty	Medium

Time allowed: 120
Score: /95
Percentage: /100

Question 1

Draw a demand and supply diagram to show the effect of a ban on burning stubble on the market for rice.

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

[4 marks]

Question 2

Explain two reasons why the price of Kenyan flowers may have fallen in the US in 2015.

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

[4 marks]

Question 3

Draw a demand and supply diagram to show the effects of a decrease in the costs of production on the market for cars.

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

[4 marks]

Question 4

Mali is a developing country. Its Human Development Index (HDI) rose from 0.297 in 2000 to 0.442 in 2016. Most of Mali's workers are employed in agriculture and cotton is the country's main agricultural crop. The country's main export, however, is gold. The country is the third largest exporter of gold in Africa.

Analyse, using a demand and supply diagram, how a fall in the price of cotton would affect the market for cotton shirts.

[6 marks]

Question 5

The markets for cars and tyres are closely related. The five largest tyre firms used to make 66% of all tyres. The entry of more than 250 Chinese firms has reduced the global market share of the largest five firms to less than 50%. This also changed the price elasticity of demand (PED) for individual firms' tyres. Some of these firms are state-owned enterprises and some are in the private sector.

Analyse, using a demand and supply diagram, the effect of an increase in demand for cars on the market for tyres

[6 marks]

Question 6

The price elasticity of demand (PED) for sugar in most countries is less than 1. In 2017, the price of sugar fell. However, the price of specialised, higher quality sugar grown in countries such as Mauritius fell by less than the average global price. Efficient producers, such as some farmers in Brazil that have a low fixed cost of production, were also less affected by the fall in price.

Explain two reasons why the price of sugar may fall

[4 marks]

Question 7

Draw a demand and supply diagram to show the effects on flights to Turkey of greater worries about safety for tourists.

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

[4 marks]

Question 8

Draw a demand and supply diagram to show how a rise in the price of car parking could affect the market for cars in the Philippines.

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

[4 marks]

Question 9

The food items people buy can be influenced by taxes, subsidies and health reports. A report published in 2017 outlined the health benefits of eating tomatoes including improved vision and reduced risk of heart disease. Egypt is a major producer of tomatoes and it also produces a large amount of cement. Cement is a product with price-inelastic demand. Egyptian cement producers have introduced more capital-intensive production methods.

Analyse, using a demand and supply diagram, the effect a report stating that eating tomatoes is good for health will have on the market for tomatoes.

[6 marks]

Question 10

In February 2017, Europe experienced a shortage of fresh vegetables due to bad weather. For a period of time, the markets for a number of vegetables, including broccoli and lettuces, were not in equilibrium. The price of food tends to fluctuate more than the price of manufactured goods and services. These fluctuations influence the rate of inflation.

Analyse, using a demand and supply diagram, how bad weather is likely to affect the market for broccoli.

[6 marks]

Question 11

The South Korean economy was dominated by many family-owned firms which have now become large public limited companies. The government provided subsidies and imposed trade protection to help their domestic firms to grow. Since 2010, average earnings have risen in South Korea.

Analyse, using a demand and supply diagram, how government subsidies help firms grow.

[6 marks]

Question 12

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.

Analyse, using a demand and supply diagram, how the market for oil would be affected when the demand for oil increases by more than the supply of oil.

[6 marks]

Question 13

Calculate, using the information in Table 1, the percentage change in the price of oil between 2010 and 2016.

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

[2 marks]

Question 14

Explain, using information from the extract, **two** reasons for falling oil prices.

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

[4 marks]

Question 15

In 2016, there was a global surplus in the steel market pushing down steel prices. This situation led to various calls for protectionist measures by other steel producers such as those in the EU and the USA. However, such measures were not supported by car producers as approximately 22% of a car manufacturer's costs depend on steel prices.

Analyse, using a demand and supply diagram, the effect of falling steel prices on the market for cars.

[6 marks]

Question 16

Explain, using information from the extract, **two** reasons why the price of rubber fell between 2011 and 2016.

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

[4 marks]

Question 17

Explain, using information from the extract, two reasons why a rise in the price of vanilla might not cause an increase in the price of ice cream.

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

[4 marks]

Question 18

Analyse, using a demand and supply diagram, the effect of an increase in income on the market for ice cream.

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

[5 marks]

Question 19

In October 2015, the Chinese government switched from its one child policy to a two child policy partly because of the challenges caused by an ageing population. The birth rate was falling anyway due to rising female participation in the labour force, improvements in education, later marriages and the rapidly rising price of housing.

Explain why the price of housing may increase.

[4 marks]

Question 20

The state of California has the most progressive tax system in the USA. The tax system helps reduce high poverty rates. Policy makers are considering reforming sales tax in the state to include services, while reducing the use of direct taxes.

Analyse, using a supply and demand diagram, the effect of increasing a sales tax.

[6 marks]

