

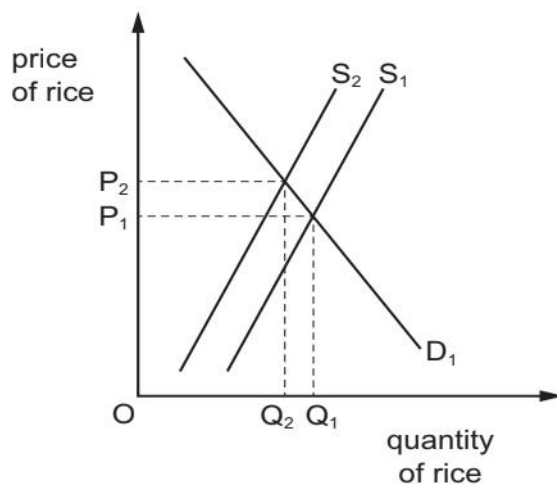
## Quick Answers

### Question 1

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

- Axes correctly labelled – price and quantity or p and q (1)
- Demand and supply curves correctly labelled (1)
- Supply curve shifted to the left (1)
- Equilibriums – shown by lines P1 and Q1 and P2 and Q2, or by labelling equilibrium points as E1 and E2 (1)

#### Guidance:



- For quantity label accept Q, quantity demanded, quantity supplied. Do not reward a completely macro diagram

### Question 2

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

**Logical explanation which might include:**

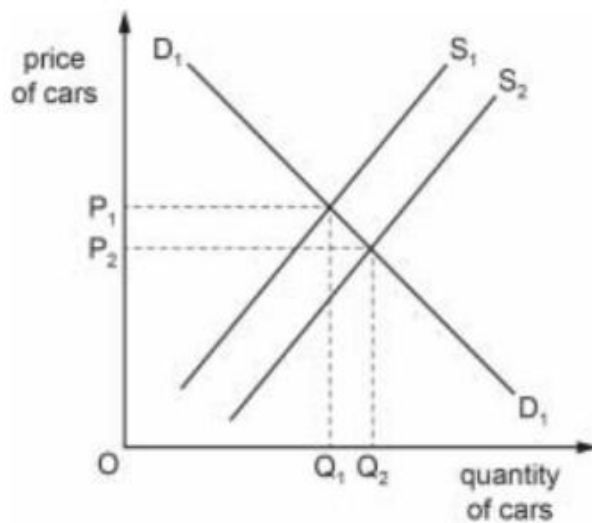
- Rise in productivity (1) this could have reduced costs of production (1)
- Depreciation of the exchange rate (1) would have lowered price of Kenyan exports (1)

*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.**

- Axes correctly labelled – price and quantity or P and Q (1)
- Demand and supply curves correctly labelled (1)
- Supply curve shifted to the right (1)
- Equilibriums – shown by lines P<sub>1</sub>, P<sub>2</sub> / Q<sub>1</sub>, Q<sub>2</sub>: or marking the equilibrium points E<sub>1</sub> and E<sub>2</sub> (1)

**Guidance**



*Question 4*

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

**Up to 4 marks for the diagram:**

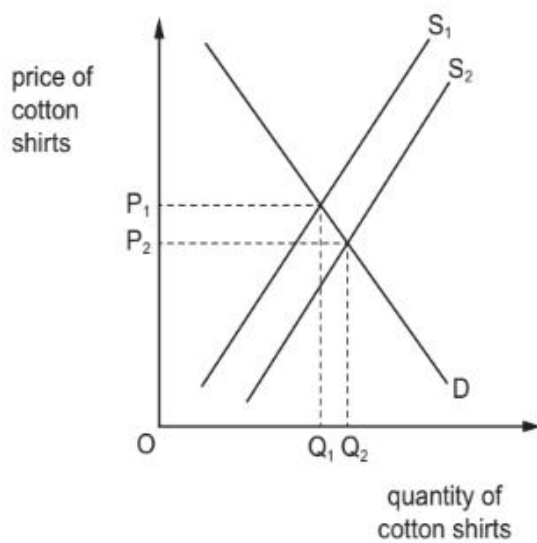
- Axes correctly labelled – price and quantity or P and Q (1)
- Demand and supply curves correctly labelled (1)
- Supply curve shifted to the right (1)
- Equilibriums – shown by lines or e.g. E1 and E2 (1)

**Up to 2 marks for written analysis:**

- A fall in the price of cotton will reduce the cost of producing cotton shirts (1) price will fall / quantity will rise (1)

**Do not reward analysis marks for description of diagram e.g. quantity changes from Q1 to Q2.**

**Guidance**



*Question 5*

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

**Up to 4 marks for the diagram:**

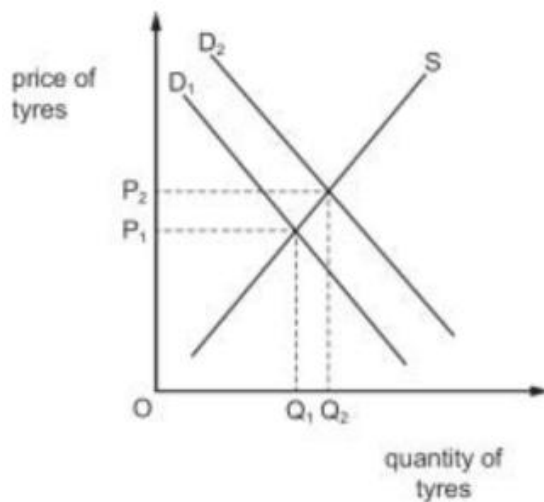
- Axes correctly labelled – price and quantity or P and Q (1)

- Demand and supply curves correctly labelled (1)
- Shift in the demand curve to the right (1)
- Equilibriums correctly identified either by lines or by e.g. E1 and E2 (1)

**Up to 2 marks for written analysis:**

- Price of tyres will increase / quantity traded will rise (1)
- Tyres are a complement of cars (1)
- More tyres may be purchased by drivers / car firms (1)

**Guidance**



**Question 6**

**Explain two reasons why the price of sugar may fall.**

- demand may fall (1)
- supply may increase (1)
- a fall in income will lower demand (1) because of less purchasing power (1)
- a fall in population will lower demand (1) as there will be fewer consumers (1)
- a change in tastes will lower demand (1) as people may find sugar less appealing (1)

- concern about health will lower demand (1) as consumers will switch to other foods (1)
- a rise in the price of a complement (1) e.g. tea (1)
- a fall in the price of a substitute (1) e.g. sweeteners (1)
- reduction in costs of production will increase supply (1) as it is likely to lead to higher profits (1)
- subsidies will increase supply (1) as they will give an incentive to firms to produce more (1)
- a cut in indirect tax will increase supply (1) as it lowers costs (1)
- good weather conditions will increase supply (1) as less of the crop will be lost (1)
- more firms in the market (1) increasing competition in the market (1)

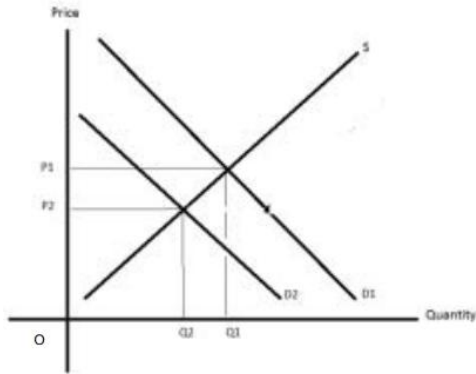
*Question 7*

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

**Up to 4 marks for the diagram:**

- Axes correctly labelled – price and quantity or p and q (1)
- Original demand and supply curves correctly labelled (1)
- Demand curve shifts to the left (1)
- Equilibriums – shown by lines P1 and Q1 and P2 and Q2, or by labelling equilibrium points as E1 and E2 (1).

**Guidance**



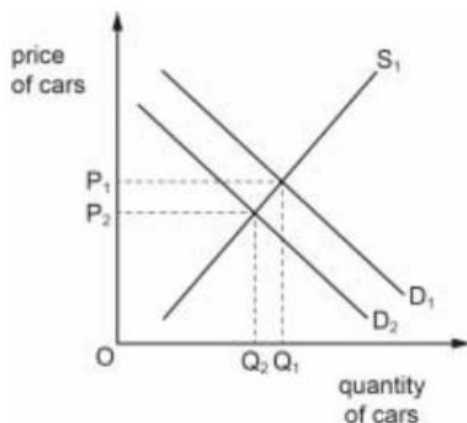
**Question 8**

**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.**

**Up to 4 marks for the diagram:**

- Axes correctly labelled – price and quantity or p and q. (1)
- Demand and supply curves correctly labelled (1)
- Demand curve shifted to the left (1)
- Equilibriums – shown by lines P1 and Q1 and P2 and Q2, or by labelling equilibrium points as E1 and E2 (1)

**Guidance**



Note: if diagram also shows shift in supply curve (e.g. will not get new equilibrium point) it can still get 3 marks.

Question 9

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.

Up to 4 marks for the diagram:

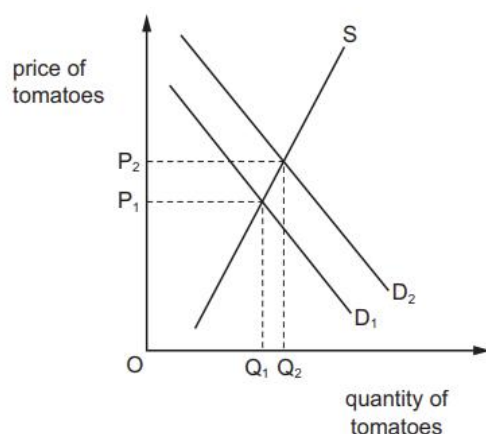
- Axes correctly labelled – price and quantity or P and Q (1)
- Demand and supply curves correctly labelled (1)
- Demand curve shifted to the right (1)
- Equilibriums – shown by lines or e.g. E1 and E2 (1)

Up to 2 marks for written analysis:

- The report will encourage people to eat more tomatoes (1) rise in demand leads to shortages (1) a rise in price (1) and an increase in output of tomatoes (1).
- The supply of tomatoes is likely to be relatively inelastic (1) and so an increase in demand will be likely to have more impact on price than quantity (1).

Do not reward analysis marks for description of diagram e.g. price changes from P2 to P1 or quantity changes from Q1 to Q2.

Guidance



Question 10

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

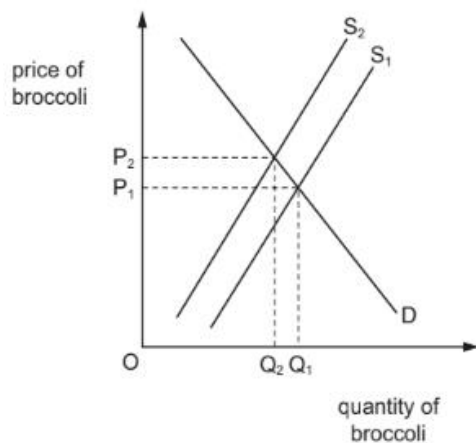
Up to 4 marks for the diagram:

- Axes correctly labelled – price and quantity or P and Q (1)
- Demand and supply curves correctly labelled (1)
- Supply curve shifted to the left (1)
- Equilibriums – shown by lines or e.g. E1 and E2 (1)

Up to 2 marks for written comments:

- Bad weather will destroy crops / reduce supply of broccoli / quantity traded falls (1)
- Weather is an important influence on the supply of agricultural products / cost of producing broccoli will rise / price will rise (1)

Guidance



Question 11

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

Up to 4 marks for the diagram:

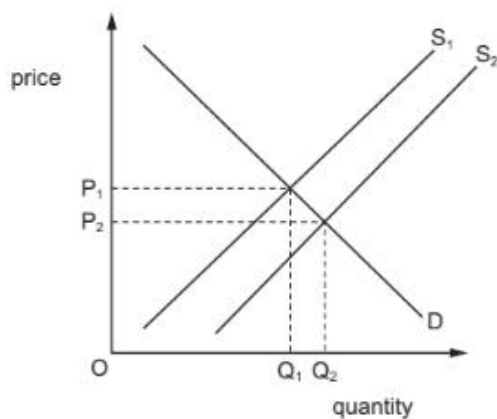


- Axes correctly labelled – price and quantity or P and Q (1)
- Demand and supply curves correctly labelled (1)
- Shift in supply curve to the right (1)
- Equilibriums – shown by lines or labels e.g. E1 and E2 (1)

**Up to 2 marks for written analysis:**

- Will lead to a decrease in cost of production (1) output increases / price will fall (1)
- Profits / revenue of firms may increase (1) profits can be reinvested (1) increasing productivity (1) increasing competitiveness of firms (1)

**Guidance**

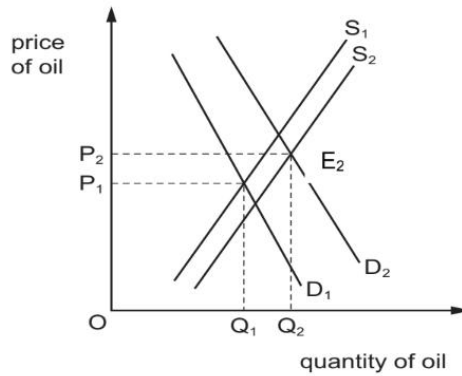


*Question 12*

**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.**

**Up to 4 marks for the diagram:**

- Axes correctly labelled – price and quantity or P and Q (1)
- Demand and supply curves correctly labelled D1 and S1 (1).
- Demand and supply curves shifted to the right D2 and S2 (1)
- Equilibrium – shown by lines e.g. P1 Q2 or at point e.g. E2 (1)



**Up to 2 marks for written comments:**

- More of the product will be traded / quantity will rise (1). Price will be higher (1).

**Note:** Do not reward analysis marks for description of diagram e.g. price changes from P2 to P1 or quantity changes from Q1 to Q2.

*Question 13*

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

54.9 (2)

× 100 correct working (1)

*Question 14*

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

- Saudi Arabia's output of oil is growing (1) increasing the supply / shown on accurate diagram (1)
- (Global) demand for oil is weak/decreasing / shown on accurate diagram (1) due to global economic uncertainty / competition from renewable energy / price reduced to attract consumers (1)

Question 15

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

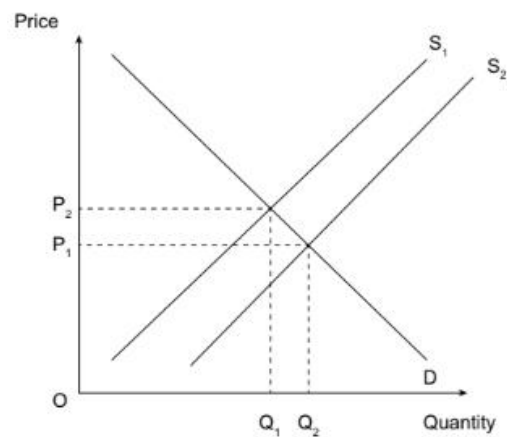
Diagram up to 3 marks:

- P, Q, S, D correctly labelled
- Shift in supply curve to the right
- Decrease in P and increase in Q
- New equilibrium indicated

Written analysis up to 3 marks:

- Steel prices decreasing will lead to a decrease in car manufacturers' costs (1)
- This may be passed on in lower price of cars (1)
- The extent of the change might be influenced by PED/PES (1)

Guidance



Question 16

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

- Supply exceeding demand / diagram showing excess supply (1) the existence of unsold rubber will encourage rubber producers to lower price (1)
- Improved production methods (1) lowering costs of production / increasing supply (1)
- The imposition of import restrictions / diagram showing the effect of import reductions (1) lowering demand for rubber / rubber producers may reduce prices to ensure their rubber is still competitive (1)
- Government subsidies (1) lowering costs of production / increasing supply / diagram showing supply increasing (1)

*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**

- Ice cream is a luxury product (1) likely to have elastic demand / producers will be concerned that a rise in price could cause a fall in revenue/profit/demand (1)
- Ice cream has substitutes (1) likely to have elastic demand / producers will be concerned that a rise in price could cause a fall in revenue / loss of customers / loss of demand (1)
- Rise in productivity of workers (1) fall in labour costs / lower costs may offset a rise in the price of vanilla (1)
- Fall in another cost identified in the pie chart (1) may offset a rise in the price of vanilla (1)

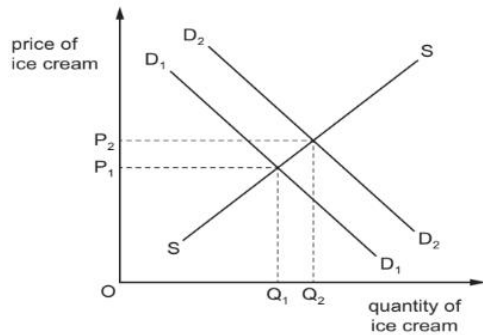
*Question 18*

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

**Up to 4 marks for a diagram:**

- axes correctly labelled – price and quantity or P and Q (1)
- demand and supply curves correctly labelled, S (1)

- demand curve D1 shifted to the right D2 (1)
- correct equilibriums identified either by lines drawn to both axes or equilibrium prices clearly identified e.g. E1 and E2 (1)



**1 mark for written analysis:**

- an increase in income increases purchasing power (1)
- people buy more ice cream when they have more money/income (1)
- demand will increase as ice cream is a luxury good
- price will rise

*Question 19*

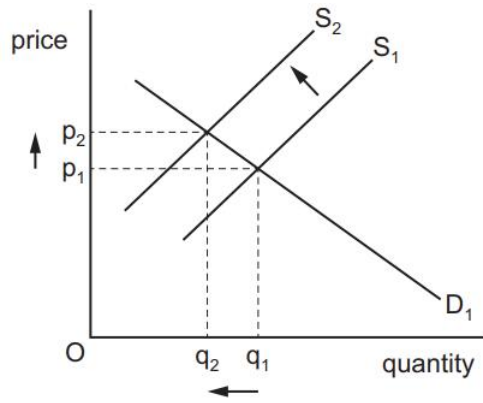
**Explain why the price of housing may increase.**

- Increase in demand (1) due to e.g. increase in income / rise in population (1)
- Decrease in supply (1) due to e.g. rise in costs of production (1)

*Question 20*

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

**Award up to 4 marks for a correct diagram:**



- Axes labels P and Q (1)
- Supply and demand curves correctly labelled (1)
- Supply curve shifting left (1)
- Original and new equilibrium positions identified (1)

**Award up to 2 marks for associated explanation:**

- Increasing tax raises a firm's costs of production (1)
- A higher price (1) may be passed on to consumers (1)