

2.8 Price Elasticity of Supply (PES)

Question Paper

Course	CIE IGCSE Economics
Section	2. The Allocation of Resources
Topic	2.8 Price Elasticity of Supply (PES)
Difficulty	Medium

Time allowed: 30
Score: /22
Percentage: /100

Question 1

The main industries in the Seychelles, an island country in the Indian ocean, are tourism and fishing. The price elasticity of supply of fish is affected by the relatively short time that fish can be stored. Economic goods and free goods play a role in both fishing and tourism. With rises in the skills of workers and an increase in enterprise, GDP per head has increased by more than seven times over the last fifty years.

State the formula for calculating the price elasticity of supply (PES).

[2 marks]

Question 2

Calculate, using information from the extract, the price elasticity of supply (PES) of driverless cars.

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

[2 marks]

Question 3

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.

Explain why the concept of price elasticity of supply (PES) may be useful to a government in deciding whether to subsidise the production of a product

[4 marks]

Question 4

Explain, using information from the extract, whether the supply of Iceland's fish is price-elastic or price-inelastic.

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

[2 marks]

Question 5

Productivity has fallen recently in Finland particularly in the public sector. The country has a relatively high number of small firms. In recent years the price elasticity of demand and the price elasticity of supply of the products made by Finnish firms have changed.

Analyse how an increase in the price elasticity of demand (PED) and the price elasticity of supply (PES) of its products could benefit a firm.

[6 marks]

Question 6

The price of dental treatment is increasing in most countries. For example, the average price of filling a tooth is \$180 in the US. The number of dentists is increasing in the US. The largest proportion of the US labour force is employed in the tertiary sector. Price changes have an impact on the supply of products in the tertiary sector as well as in the primary and secondary sectors.

Explain two reasons why manufactured goods are usually in more price-elastic supply than agricultural goods.

[4 marks]

Question 7

In England football stadiums are usually built and financed by the private sector, but in some countries the stadiums are built and financed by the government. Many football stadiums in the English Premier League are full on match days. In the short run the supply of seats is perfectly inelastic. The football clubs could actually raise prices, still sell their tickets and so raise their profits. Premier League footballers currently receive very high wages.

Define *perfectly inelastic supply*.

[2 marks]