Economics
Leaving Certificate
Higher Level

Past Exam Questions on
Demand & Supply

Q1 Section A 2013

1. The fundamental economic problem is one of 'scarcity'. Explain this concept.

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(16 marks)

Q3 Section A 2013

3. Read each statement below and indicate if the price elasticity of demand (PED) for the product is most likely to be elastic or inelastic. (Tick ✓ the correct box.)

STATEMENT	ELASTIC	INELASTIC
Consumers are strongly attached and loyal to the product.		
Many close substitutes are available for the product.		
The product is a luxury product.		
The product accounts for only a small fraction of a consumer's weekly expenditure.		

(16 marks)

Q1 Section A 2012

1. State **three** reasons why the demand curve for bottled water may shift to the right.

(i) ____

(ii) ____

(iii) ____

(16 marks)

Q5 Section A 2012

5. 'Inferior products have a negative Income Elasticity of Demand (YED)'.

(a) Explain this statement.

Explanation:____

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(b) State **one** example of an inferior product, giving a reason for your answer.

Example:____

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(16 marks)

Q1 Section B 2012

1. **(a)** (i) Explain the Equi-Marginal Principle of consumer behaviour.
(ii) State and explain **three** other economic assumptions used to analyse consumer behaviour. (25)

(b) A manufacturer of three different products calculates the price elasticity of demand (PED) for each product as follows:

Product A: -2.8 Product B: -1.0 Product C: -0.5

The manufacturer wishes to maximise its revenues. Explain in respect of **each** of these products, what change, if any, the manufacturer should make in the prices currently being charged to enable it to achieve its aim.
Illustrate your answers with the aid of a demand curve for **each** product. (30)

(c) You are given the following information about certain products:

Cross Elasticity of Demand between Product X & Product A = -0.8
Cross Elasticity of Demand between Product X & Product B = +3.2
Cross Elasticity of Demand between Product X & Product C = -1.6
Cross Elasticity of Demand between Product X & Product D = +0.5

(i) Which of the products above are substitutes for Product X? Explain your answer.
(ii) Which product is the closer complement to Product X? Explain your answer. (20)

[75 marks]

Q8 Section A 2011

8. A consumer buys 20 units of Good A when the price of Good B is €8. When the price of Good B rises to €10 (the price of Good A remaining unchanged) the consumer buys 12 units of Good A.
Using an appropriate formula, calculate this consumer's cross elasticity of demand for Good A.
(Show your workings.)

WORKINGS	**Answer:** ______________________________ Is Good A a substitute for, or a complement to, Good B? Explain you answer. ______________________________ ______________________________

(17 marks)

Q1 section B 2011

1. (a) (i) Define the economic terms: **individual (consumer) demand; market demand.**

(ii) Explain, with the aid of labelled diagrams, the relationship between individual (consumer) demand and market demand. *(20)*

(b) (i) Distinguish between the economic meanings of a 'movement along a demand curve' and a 'shift in a demand curve' for concert tickets.
Illustrate your answer using diagrams.

(ii) State and explain **two** factors that would cause a shift in a demand curve for concert tickets. In **each** case explain how the factor affects the demand curve. *(30)*

(c) The Law of Diminishing Marginal Utility states that as more of a product is consumed, eventually each additional unit of the good provides less additional utility (marginal utility).

(i) Explain **two** assumptions underlying the Law of Diminishing Marginal Utility.

A consumer in equilibrium buys 6 health bars at €0.80 each and 9 cartons of juice at €1.50 each. The marginal utility of the 6^{th} health bar is 40 utils.

(ii) Using the **Equi-Marginal Principle of Consumer Behaviour** calculate the marginal utility of the <u>ninth</u> carton of juice. (Show all your workings.)

(25)

[75 marks]

Q3 Section A 2010

3. A consumer spends €200 monthly on Product A when its price is €2 and continues to spend €200 monthly when its price increases to €2.50. Calculate the consumer's price elasticity of demand. (See Formulae and Tables Booklet p.28) **Show all your workings and explain your answer.**

Workings:	**Answer**: ____________________ **Explanation**: ____________________ ____________________

(16 marks)

Q1 Section B 2010

1. (a) The data below represents the market demand and the market supply schedules for the soft drink 'Quencher'.

Price €	**Quantity Demanded** ('000 units)	**Quantity Supplied** ('000 units)
2.00	40	5
2.25	30	10
2.50	20	20
2.75	10	30
3.00	5	40

(i) Using the above data, draw the diagram showing the market demand and market supply curves for the soft drink 'Quencher'. Clearly mark the **point of equilibrium** and the **equilibrium price and quantity**.

(ii) Explain what it means for the market '**to be in equilibrium**'.

(iii) Assume costs of production fell, resulting in an extra 20,000 units supplied at each of the above listed prices. With reference to your diagram in 1(**a**) (i) above and assuming that demand remains unchanged, draw the **new** supply curve. Clearly indicate the new point of equilibrium and the new equilibrium price and quantity.

(30 marks)

(b) (i) Outline **four** factors which affect price elasticity of demand (PED).
(ii) The PED for the soft drink 'Quencher' has been calculated at **-3.8**
Using your knowledge of PED, explain the economic meaning of this figure.

(30 marks)

(c) Many health advisors wish to reduce the consumption of soft drinks. Advise the Minister for Health and Children on possible economic actions that the Government could take to reduce the consumption of soft drinks.

(15 marks)
[75 marks]

Q5 Section A 2009

5. The demand for land is a derived demand. Explain what is meant by the underlined term with reference to land.

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(16 marks)

Q1 Section B 2009

1. (a) (i) Show, by means of a labelled diagram, the market demand and supply curves for games consoles e.g. Xbox, PlayStation, Nintendo DS. Identify and explain the market equilibrium position.

(ii) Explain, with the aid of a separate diagram in **each** case, the effects which **each** of the following is most likely to have on the above equilibrium position:

- 50% reduction in the price of computer games used with the games console;
- Quota placed on the quantity of games consoles entering Ireland;
- Government introduce a 2% levy (tax) on all income earned. *(30 marks)*

(b) (i) Define income elasticity of demand **and** price elasticity of demand.

(ii) Which figure stated below is most likely to represent each of the following:

- **Income** elasticity of demand for low price cuts of meat;
- **Income** elasticity of demand for Apple iPhones;
- **Price** elasticity of demand for Petrol.

- 1.6 **- 0.1** **+ 4.3**

Give reasons for your choice in **each** case. *(30 marks)*

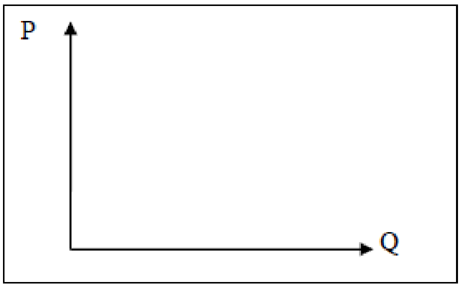
(c) Assume **Income** elasticity of demand for games consoles is **+ 2.5** and total sales in 2008 were 100,000 units.

Calculate the expected total sales for the year if consumers' incomes are expected to fall by 8% in 2009. Show your workings.

(15 marks)
[75 marks]

Q6 Section A 2008

6. China will host the Beijing Olympic Games in August 2008 and 7 million tickets are available for the event. On the diagram below draw the supply curve for tickets and explain the reason for its shape.



Explanation:

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(17 marks)

Q1 Section B 2008

1. (a) (i) Explain, with the aid of an example, the '**Law of Demand**'.
(ii) State and explain **three** exceptions to the 'Law of Demand'. *(20 marks)*

(b) The data below represents the market demand and supply schedules for MP3 Players.

Price €	Quantity Demanded (units)	Quantity Supplied (units)
20	100	20
30	80	40
40	60	60
50	40	80
60	20	100

(i) Using the above data, draw the diagram showing the market demand and supply curves for MP3 Players.
(ii) Show on your diagram the price and quantity of MP3 Players at which this market is in equilibrium.
(iii) Using this data, calculate the **price elasticity of demand** when price changes from €40 to €50. (Show all your workings).
For this price change, is demand for MP3 Players elastic or inelastic? Explain your answer.

(30 marks)

(c) (i) With reference to your diagram in **1(b) (i)**, assume that consumer demand for MP3 Players increases by 40 units at each price listed above, while supply remains unchanged, draw the **new** demand curve for this situation and show the new equilibrium price and quantity.
(ii) Explain **two** possible reasons for the shift in the demand curve.

(25 marks)
[75 marks]

Q3 Section A 2007

3. Consumers buy 50 units of a product when the price is €1.50. When the price is reduced to €1 consumers buy 90 units. Using an appropriate formula, calculate the consumers' **price elasticity of demand. Show your workings and explain your answer.**

Workings

Explanation:

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(16 marks)

Q1 Section B 2007

1. (a) (i) Define the economic terms: **individual (firm) supply; market supply**.

   (ii) Explain, with the aid of labelled diagrams, the relationship between individual (firm) supply and market supply.

(20 marks)

(b) Explain, with the aid of a labelled diagram, the supply curve of an individual firm in **each** of the following circumstances. State one example in **each** case.

   (i) A firm is willing to increase supply as price rises, but there is a minimum price below which the firm will not supply at all.

   (ii) A firm can supply only up to a maximum production capacity.

   (iii) The product is fixed in supply (e.g. perishable good) and a firm is operating in the short run.

(30 marks)

(c) Outline **FOUR** factors, other than price, which affect the supply curve of an individual firm. In each case explain how the factor affects the supply curve.

(25 marks)
[75 marks]

Q1 Section B 2006

1. (a) For analytical purposes economists make certain assumptions about consumer behaviour. State and explain **FOUR** principal assumptions.

(15 marks)

(b) A manufacturer of three different products calculates the price elasticity of demand for each product as follows:

Product X: -1.5 Product Y: -1.0 Product Z: -0.3

The company wishes to maximise its revenues. Explain in respect of **each** of these products, what change, if any, the company should make in the prices currently being charged to enable it to achieve its aim.

(30 marks)

(c) A consumer buys 10 units of Good A when the price of Good B is €5.
When the price of Good B rises to €6 (the price of Good A remaining unchanged) the consumer buys 14 units of Good A.

   (i) Define **cross elasticity of demand**.
   (ii) Using an appropriate formula, calculate this consumer's cross elasticity of demand for Good A. Show your workings.
   (iii) Is Good A a substitute for, or a complement to, Good B? Explain your reasoning.

(30 marks)
[75 marks]