

Issued On:		Past Paper Questions [PPQs]	5 [57 - 61]
Deadline:		Model Questions [MQs]	3 [19 - 21]
Marks : Time	1 mark = 1 ½ Mnt	Units - Essentials Covered	Unit 2

[01] 2018 A/Ls (ECON – II): Q2 (III)

What is meant by **price elasticity of demand**?

[02 marks]

[02] 2016 A/Ls (ECON – II): Q2 (I - III)

(I) What factors determine the **price elasticity of demand** for a consumer good



(II) Why is a **downward sloping linear demand curve** more price elastic at higher prices ranges and more price inelastic at lower price ranges?

[04 marks each]

(III) Given the income elasticities of demand of the following goods, how would you classify the following goods as '**luxury**', '**necessity**' and '**inferior**' goods?

- a) Bottled water = 1.3
- b) Cowpea = - 0.8
- c) Bread = 0.5
- d) Mobile phone = 1.8

[01 mark each]

[03] 2011 A/Ls (ECON – II): Q2 (II)

Distinguish between a '**normal good**', an '**inferior good**' and a '**Giffen good**'

[03 marks]

[04] **Model Question**

Price elasticity of demand and **law of demand** refer to similar concepts on account of the variables concerned; discuss this notion

[4 marks]

[05] **Model Question**

Discuss the relationship between **Price Elasticity of Supply** and **linear supply equation** using **supply curves**

[03 marks]

[06] Model Question

Distinguish between 'Price Elasticity of Demand' and 'Cross Elasticity of Demand'

[04 marks]

[07] 2005 A/Ls (ECON – I - II): Q3

The market demand supply functions for commodity sold in a competitive market are given below:

$$Q_d = 20 - P \text{ (demand function)} \qquad Q_s = -8 + 6P \text{ (supply function)}$$

- (A) Determine the equilibrium price and quantity of this commodity
- (B) Suppose demand function changes to $Q_d = 36 - 5P$ while the supply function remains unchanged. Determine the new equilibrium price and quantity
- (C) Suppose supply function changes to $Q_s = -10 + 4P$ while the market function remains unchanged at its original level. What will be the new equilibrium price and quantity?

[04 marks each]

- (D) Draw a diagram to show the conditions described in parts (A), (B) and (C)

[03 marks]

[08] 2005 A/Ls (ECON – I - II): Q4 (a)

Using relevant diagrams, explain the effects of the following events on the market for fish which is operating under competitive conditions

- (I) Destruction of a substantial part of fishing vessels due to Tsunami waves
- (II) A fall in consumer preference for fish
- (III) A fall in the price of chicken
- (IV) A payment of fuel subsidy to fishermen
- (V) Major improvement in fishing technology with assistance from donor countries

[02 marks each]

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