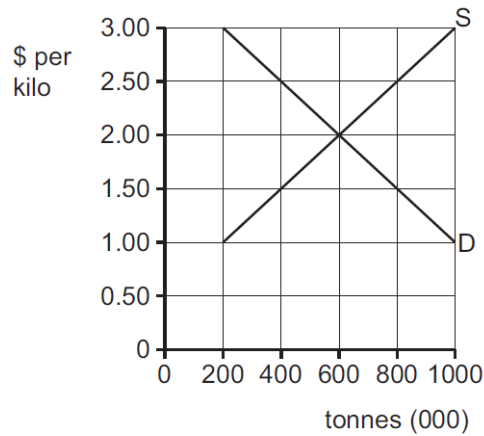


Price determination

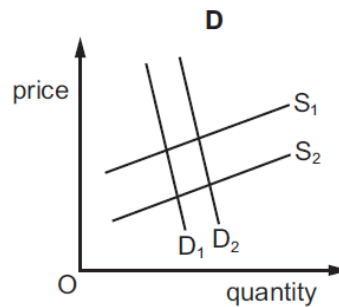
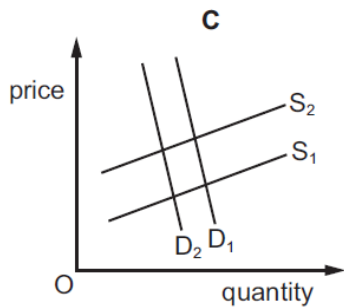
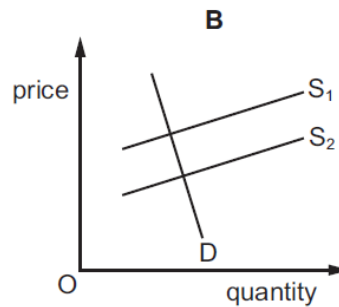
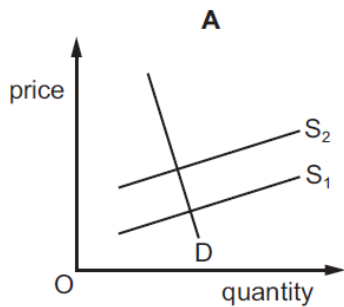
1 The diagram shows the demand and supply for apples.



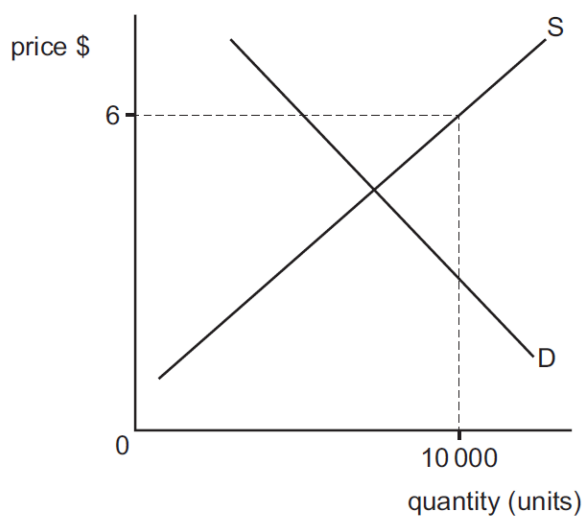
To what extent is the market for apples in disequilibrium at a price of \$2.50 per kilo?

- A Demand exceeds supply by 200 000 tonnes.
 - B Demand exceeds supply by 400 000 tonnes.
 - C Supply exceeds demand by 200 000 tonnes.
 - D Supply exceeds demand by 400 000 tonnes.
- 2 A government levies a specific tax on the supply of cigarettes. At the same time it starts a campaign to explain the health risks of smoking cigarettes.

Which diagram illustrates the effects on the demand and supply of cigarettes?



3 The diagram shows the supply and demand for a product.



Suppliers have decided to produce 10 000 units and charge a price of \$6.

What is the result of this decision in the short run?

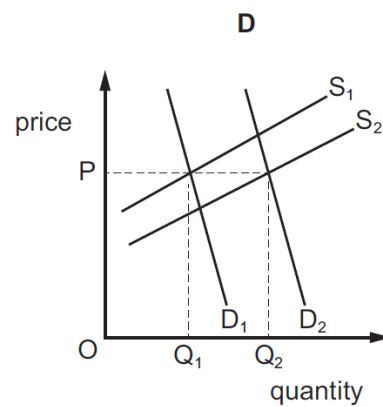
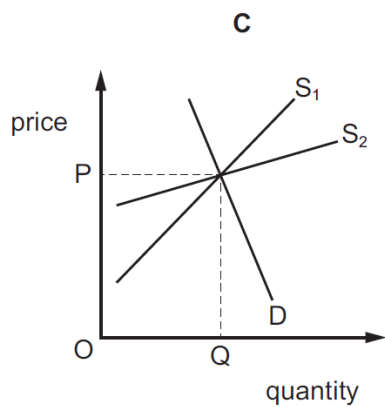
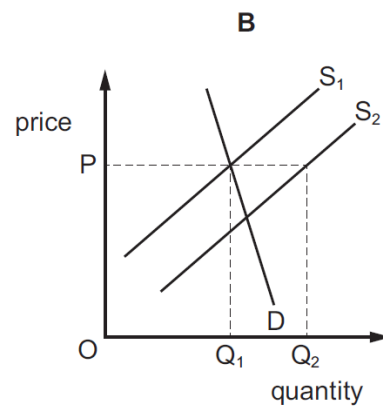
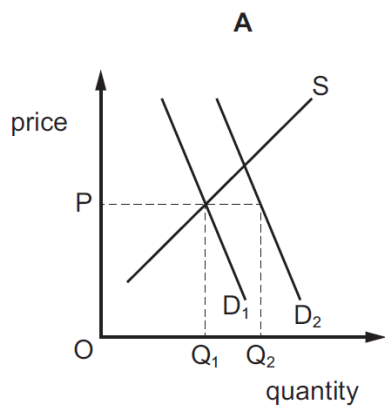
- A A stable equilibrium price will be achieved.
 - B Suppliers will be left with unsold stock.
 - C The equilibrium market price will increase.
 - D There will be excess demand at the price of \$6.
- 4 Workers are awarded a pay rise but do **not** increase their productivity. Workers do **not** buy the product that they produce.

How would this change be shown on a demand and supply diagram for the product?

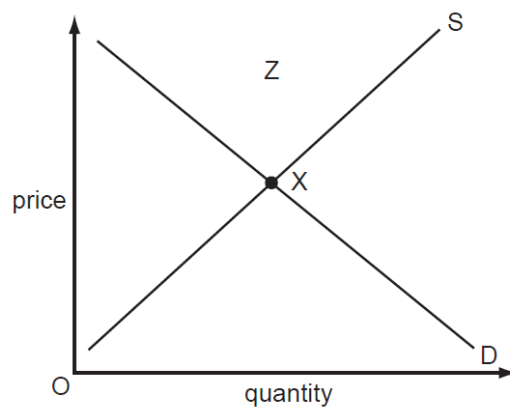
- A The demand curve will shift to the left.
- B The demand curve will shift to the right.
- C The supply curve will shift to the left.
- D The supply curve will shift to the right.

5 The diagrams show changes in market conditions.

Which diagram shows a shortage at price P?



6 What changes would move the equilibrium in the diagram from point X to a new point within area Z?



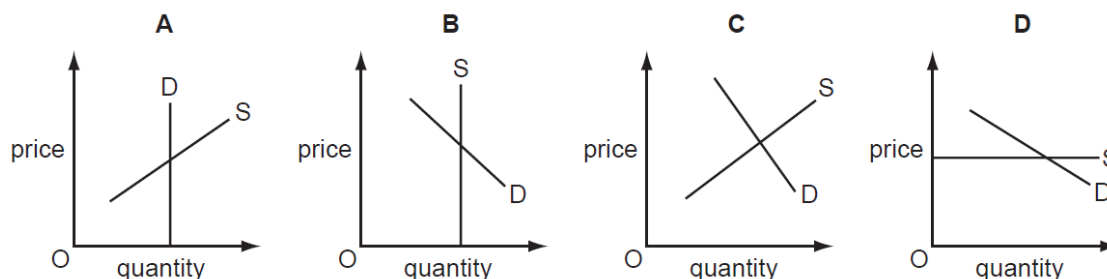
- A a decrease in demand with a decrease in supply
- B a decrease in demand with an increase in supply
- C an increase in demand with a decrease in supply
- D an increase in demand with an increase in supply

7 What is meant by the equilibrium quantity in the market for a product?

- A the average quantity produced over the year
- B the average quantity sold over the year
- C the quantity at which profit occurs
- D the quantity at which the demand and supply curves intersect

8 The diagrams show different conditions of demand and supply for a product.

In which diagram would market price remain unchanged if consumers' incomes fell?



9 In the 2016 Olympics in Brazil, the opening ceremony will take place in the Maracana Stadium, which can seat 82 000 spectators. It is expected that all tickets for the ceremony will be sold quickly, leaving many people dissatisfied.

What can be concluded from this?

- A Price elasticity of demand for tickets will be perfectly elastic.
- B Some people will be able to resell their tickets at a higher price than they paid for them.
- C The Olympic authority will make more tickets available for sale.
- D This will be an example of market failure.

10 In 2011, a company selling milk in glass bottles replaced them with new plastic bottles. When they were introduced, the equilibrium quantity on the market fell.

What could be a reason for this fall?

- A Consumers preferred the new bottle because it was lighter to carry.
- B Milk from the farms used to fill the bottle cost more.
- C The bottle was cheaper than the existing glass bottle to produce.
- D The new bottle was introduced with a successful advertising campaign.