Demand, Supply and Elasticity Long Questions

1997 Q1

(a) Outline the main factors that affect the supply of a good or service.
(25 marks)

(b) **(i)** Give **one** reason that will cause a movement along a demand curve.

(ii) Give **five** reasons that will cause a shift in a demand curve.
(25 marks)

(c) There is a small number of types of goods to which the Law of Demand does not apply. Discuss briefly **three** of these types of goods. (25 marks)

[75 marks]

1999 Q1

(a) For a commodity to be considered an economic good it must possess certain characteristics.
(i) State and explain **THREE** of these characteristics.
(ii) Give **TWO** examples of commodities which would **NOT** be considered as economic goods.
Justify each choice with a brief explanation. (25 marks)

(b) Discuss the factors which influence the Consumer's demand for commodities.
(30 marks)

(c) Define each of the following:
(i) Normal good.
(ii) Giffen good.
(iii) Inferior good. (20 marks)

[75 marks]

2000 Q1

(b) A consumer spends all income on two goods, Good X and Good Y. Both goods are normal goods but they are not complementary goods. The price of good X is reduced and the price of good Y remains unchanged. The consumer continues to spend all income on the two goods.
Explain, using the **Substitution effect** and **Income effect** how this price reduction affects the demand for both goods. (30 marks)

(c) (i) Explain briefly, what is meant by the **Law of Demand**.
(ii) There are exceptions to the Law of Demand.
Explain clearly **THREE** of these exceptions.

(25 marks)
[75 marks]

2001 Q3

(a) State **FOUR** factors that affect the supply of a good, other than the price of the good itself, and explain how each factor affects supply. (25 marks)

(b) State and explain the principal economic assumptions made about consumer behaviour. (25 marks)

2002 Q2

(ii) A consumer spends 40% of income on a certain good. After the consumer's income doubles (everything else remaining unchanged), only 30% of income is spent on the good. State whether this good is a normal or inferior good and explain your answer.
(20 marks)

2003 Q3

(a) **(i)** State and explain **FOUR** factors which affect a consumer's demand schedule, other than the price of a good itself.
(ii) Explain the economic rationale for assuming that a person's demand curve for a normal good slopes downward.

(30 marks)

(b) For something to be considered an *economic good,* it must possess certain characteristics. State and explain **THREE** of these characteristics.

(20 marks)

(c) A consumer spends all income on two goods, Good A and Good B. Both goods are normal goods but they are not complementary goods. The price of Good A is reduced and the price of Good B remains unchanged. The consumer continues to spend all income on the two goods.

Distinguish between the **substitution effect** and the **income effect** of the price reduction in Good A.

(25 marks)

[75 marks]

2005 Q1

(a) State and explain **FIVE** factors which affect a consumer's demand schedule. *(25 marks)*

(b) (i) Show, by means of a labelled diagram, the market demand and supply for a product. Indicate the equilibrium price and quantity in this market.

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

- A successful advertising campaign in favour of the product is introduced;
- A tariff on imports of the product is removed. *(30 marks)*

(c) Assume that the average spending on energy by a low-income family is €40 weekly. The price of energy rises by 20% so that the same consumption by a low-income family would now cost €48 weekly.
The government is considering introducing one of the following policy measures to assist low-income families:

- giving low- income families an increased allowance of €8 weekly (income supplement);
- subsidising the producers of energy so that energy can continue to be sold at the initial price (price subsidy).

Which policy measure would you advise the government to take? Explain the economic reasons for your answer.

(20 marks)
[75marks]

2007 Q1

(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]

2008 Q1

(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]

2009 Q1

(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)*

2009 DEB Q3

(a) Define the economic terms: **normal good**; **inferior good**; **giffen good**.

(15 marks)

(c) **(i)** Show, by means of a labelled diagram, the market demand and supply for a product. Indicate the equilibrium price and quantity in this market.

(ii) Explain, with the aid of a separate diagram in **each** case, the effects which **each** of the following may have on the above equilibrium position.

- an increase in real income of consumers;
- an improvement in technology;
- a rise in the minimum wage.

(35 marks)
[75 marks]

2010 Q1

(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]

2010 DEB Q1

(b) The data below represents the market demand and supply schedules for mobile phones.

Price €	Quantity Demanded (units)	Quantity Supplied (units)
50	100	20
100	80	40
150	60	60
200	40	80
250	20	100

(i) Using the above data, draw the diagram showing the market demand and supply curves for mobile phones.
(ii) Show on the diagram the price and quantity of mobile phones at which this market is in equilibrium.
(iii) Assume consumer demand for mobile phones increases by 40 units at each price listed above, while supply remains unchanged. Draw a new demand curve showing the new equilibrium price and quantity.

(25 marks)

(c) State and explain **five** factors which affect a consumer's demand schedule.

(25 marks)
[75 marks]

2010 EC Q2

(a) (i) Outline the **Law of Demand**.

(ii) State and explain **three** exceptions to the Law of Demand.

(iii) Explain the following terms:

- Derived demand
- Effective demand.

(25 marks)

(b) In economics we make assumptions about the way consumers behave. Outline **four** assumptions of **consumer behaviour**.

(20 marks)

2011 DEB Q1

(a) (i) State and explain **one** reason that will cause a movement along a demand curve.
(ii) Outline **five** reasons that will cause a shift in a demand curve.

(30 marks)

(b) Not all goods comply with the Law of Demand.

(i) Explain, with the aid of an example, the underlined term.
(ii) State and explain **three** exceptions to the Law of Demand.

(20 marks)

(c) A consumer spends all income on two goods, Good A and Good B. Both goods are normal goods but are not complementary goods. The price of Good A is reduced and the price of Good B remains unchanged. The consumer continues to spend all income on both goods. Explain, using the **substitution effect** and the **income effect**, how this price reduction will affect demand for Good A.

(25 marks)
[75 marks]

2011 EC Q1

(b) The data below represents the market demand and supply schedules for Mobile Phones.

Price €	Quantity Demanded (units)	Quantity Supplied (units)
40	200	40
60	160	80
80	120	120
100	80	160
120	40	200

(i) Using the above data, draw the diagram showing the market demand and supply curve for mobile phones.

(ii) Show on your diagram, the price and quantity of mobile phones at which this market is in equilibrium.

(iii) Using this data, calculate the **price elasticity of demand** when the price changes from €80 to €100. (Show all your workings).
For this price change, is demand for mobile phones elastic or inelastic?
Explain your answer.

(30 marks)

(c) (i) With reference to your diagram in ***1(b)(i)***, assume that consumer demand for mobile phones increases by 80 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]

2011 Q1

(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)*

2012 EC Q1

(c) (i) Show, by means of a labelled diagram, the market demand and supply for a product. Indicate the equilibrium price and quantity in this market.
(ii) Explain, with the aid of a separate diagram in **each** case, the effects which **each** of the following may have on the above equilibrium position:
- An increase in real income of consumers;
- An improvement in technology;
- A rise in the minimum wage. *(35)*

2013 Q1

(a) (i) Distinguish between the terms 'effective demand' and 'derived demand'.
(ii) Outline **two** possible exceptions to the Law of Demand.
(25)

(b) The market for a brand of **blue jeans** is in equilibrium. 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 equilibrium position:

(i) Due to the economic downturn there is a reduction in the real income of consumers.
(ii) A fall in the price of cotton, a key input in the production of the blue jeans.
(iii) The blue jeans have recently been endorsed by a popular sports star. (30)

(c) A fall in the price of a consumer product has both a <u>substitution effect</u> and an <u>income effect</u>.

(i) Explain the underlined terms.
(ii) If the price of an **inferior** product falls (all other things being equal) will more or less of the product be purchased? Explain your answer with reference to the substitution effect and the income effect.
(20)

2014 Q1

(b) (i) State the 'Law of Supply', and illustrate with a labelled diagram.
(ii) Explain how technical progress affects the supply curve.
(iii) Outline, with the aid of labelled diagrams, **two** other factors that would cause a shift in the supply curve. (30)