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The role of markets in allocating resources

- 1 Changes in non-price factors that affect demand or supply will cause a change in the
 - A equilibrium price only.
 - B equilibrium price and quantity traded.
 - C quantity traded only.
 - D tax rate.

- 2 The impact of the imposition of a sales tax for a product is likely to lead to
 - A a higher level of quantity demanded and a lower price.
 - B a higher price and lower level of quantity demanded.
 - C both a higher price and higher level of quantity demanded.
 - D both a lower price and lower level of quantity demanded.

- 3 Which is **not** a supply factor that causes a change in the equilibrium price of a product?
 - A price changes
 - B sales taxes
 - C spare capacity
 - D subsidies

- 4 Which is a consequence of lower demand for a particular product?
 - A Equilibrium quantity falls and the price falls.
 - B Equilibrium quantity falls and the price rises.
 - C Equilibrium quantity rises and the price falls.
 - D Equilibrium quantity rises and the price rises.

- 5 Which will cause a rightwards shift of the demand curve?
 - A higher production costs
 - B lower income taxes
 - C lower sales taxes
 - D subsidies provided to producers

6 State **two** factors that can shift the demand curve for a good or service. [2 marks]

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7 'Price changes can occur due to shifts in demand or supply.' Explain what this statement means. [4 marks]

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6 THE ROLE OF MARKETS IN ALLOCATING RESOURCES

8 Explain **two** reasons why the demand for foreign holidays might increase. [4 marks]

9 Explain **two** reasons for a leftwards shift of the supply curve of avocados. [4 marks]

10 Using an appropriate demand and supply diagram, explain the impact on the market for electric cars following a government announcement to subsidise the purchase of such vehicles. [4 marks]
