RAFFLES INSTITUTION
YEAR 5 H2 ECONOMICS 2024

PRICE MECHANISM AND ITS APPLICATIONS (PARTS 1 & 2)

SUPPLEMENTARY WORKSHEETS

1. (Part 1, Section 1)

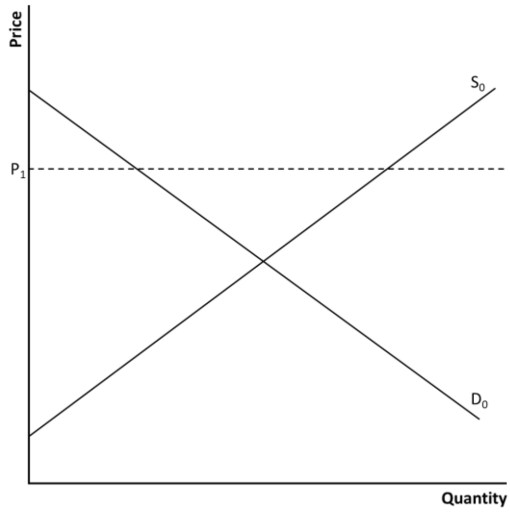


Figure 1

i) Explain what is meant by free market equilibrium and identify where this is located in Figure 1.

ii) Explain why the free market is in disequilibrium at price level P_1.

iii) Explain in detail, using the price adjustment process, how the disequilibrium at P1 will move towards the free market equilibrium.

2. (Part 1, Section 2)

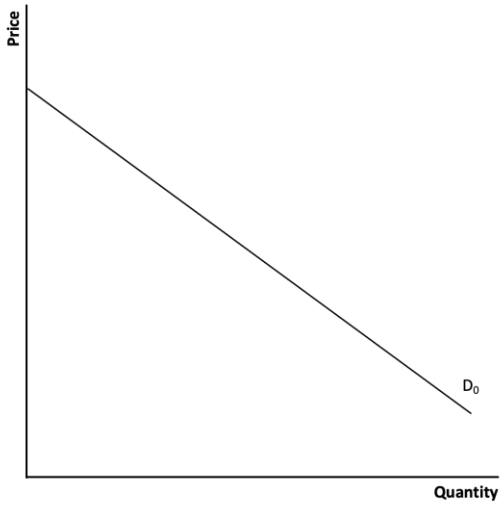


Figure 2

i) Explain why the demand curve is typically downward sloping.

ii) Explain how Figure 2 can be used to illustrate an increase in demand.

iii) Suggest 3 possible reasons which can cause this ‘increase in demand’ to arise.

3. (Part 1, Section 3)

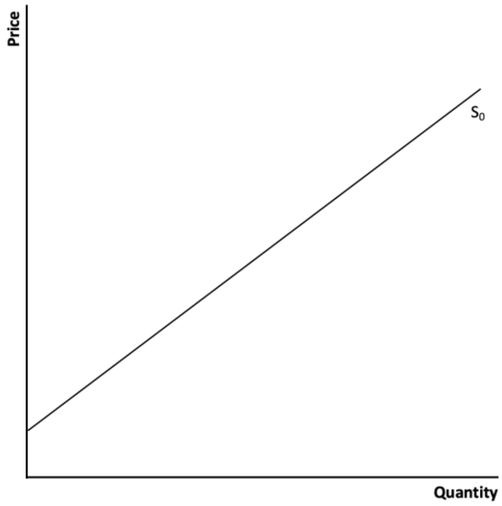


Figure 3

i) Explain why the supply curve is typically upward sloping.

ii) Explain how Figure 3 can be used to Illustrate a ‘decrease in supply’.

iii) Suggest 3 possible reasons which can cause such a ‘decrease in supply’.

4. (Part 1, Section 4)

Fill in the following table. Choose "↑", "↓" or indeterminate where applicable

Change/s in D/S	**Change in Eqm P**	**Change in Eqm Q**
↑ D, S unchanged		
↓ D, S unchanged		
D unchanged, ↑ S		
D unchanged, ↓ S		
↑ D > ↑ S		
↑ D < ↓ S		
↓ D > ↑ S		
↓ D < ↓ S		

5. (Part 1, Section 5)

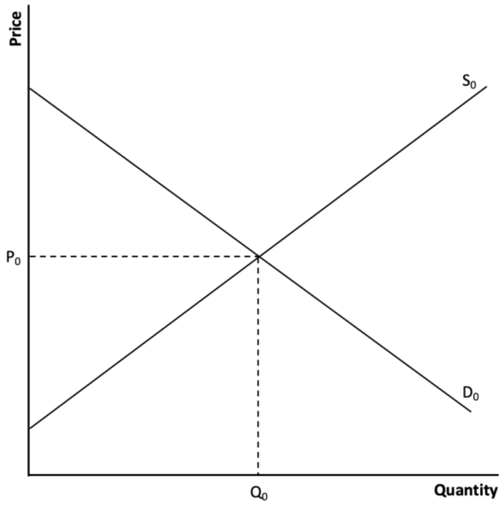


Figure 4

i) Define consumer surplus.

ii) Shade the consumer surplus in Figure 4.

iii) Referring to Figure 4, the size of consumer surplus is affected by

-
-
-

iv) Define producer surplus.

v) Shade the producer surplus in Fig 4.

vi) The amount of producer surplus enjoyed by producers is affected by:

-
-
-

vii) Identify social welfare in Fig 4.

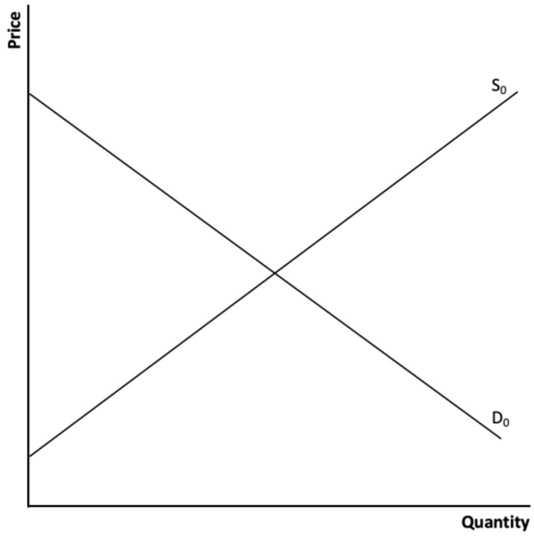
6. (Part 2, Section 1.2)

i) State the relationship between Coke and Pepsi.

ii) State and explain the CED value between Coke and Pepsi.

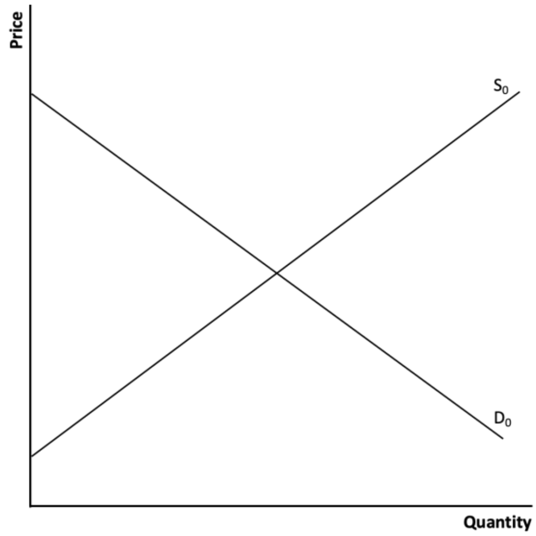
iii) Analyse the effects of the following events in the Coke market **<u>on the Pepsi market</u>**.

<table>
<tr>
<td>Event 1: Coke workers successfully negotiate a wage increase</td>
<td>Event 2: Successful Coke advertising campaign appealing to the taste and preference of sugared carbonated drinks consumers</td>
</tr>
<tr>
<td>
<u>Coke Market</u>



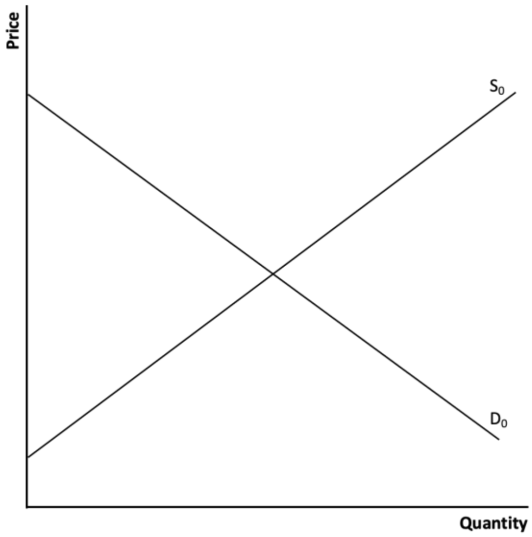
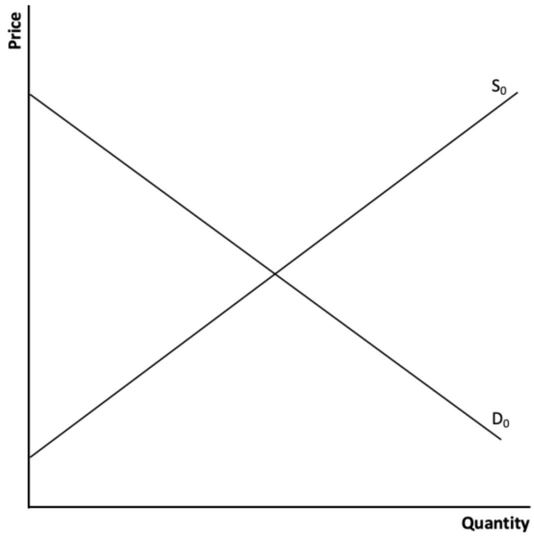
a) Illustrate how an increase in wages of Coke workers affects the Coke market in the above Figure.

b) State the changes in equilibrium P and Q in the Coke market.
</td>
<td>
<u>Coke Market</u>



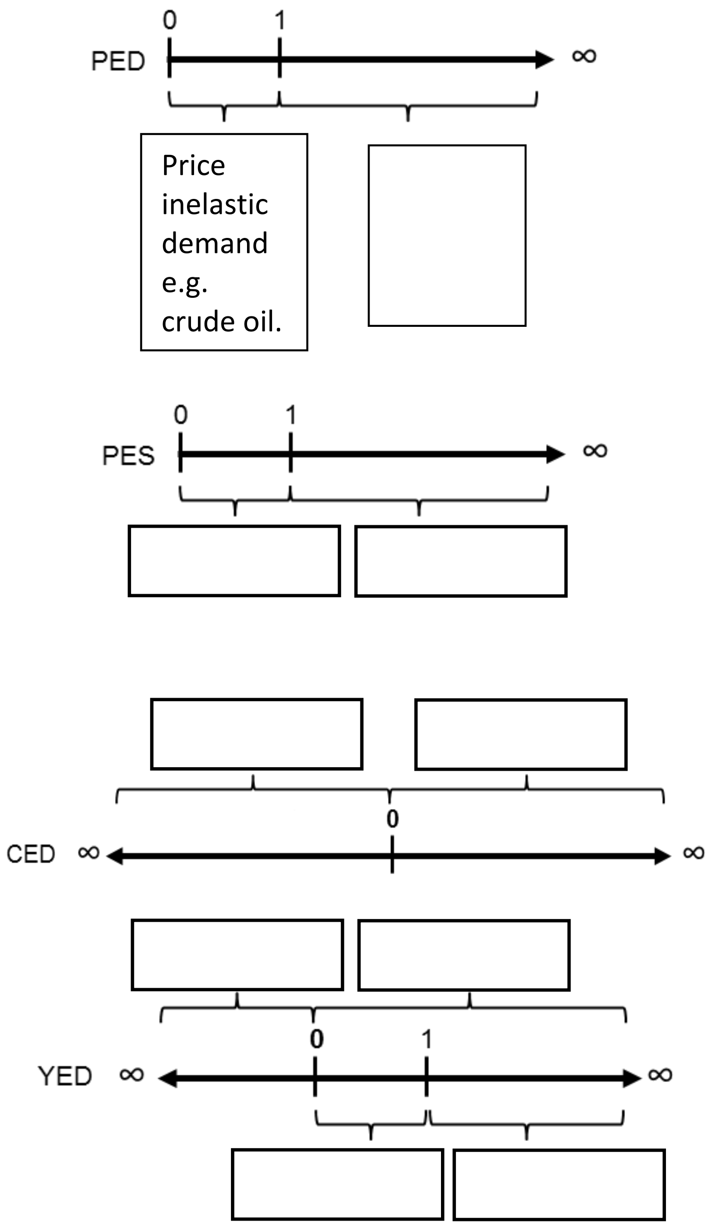
a) Illustrate how a successful Coke advertising campaign affects the Coke market in the above Figure.

b) State the changes in equilibrium P and Q in the Coke market.
</td>
</tr>
</table>

<u>Pepsi Market</u>  c) Explain how events in the above Coke market affects the demand for Pepsi. d) State the changes in equilibrium P and Q in the Pepsi market.	<u>Pepsi Market</u>  c) Explain how events in the above Coke market affects the demand for Pepsi. d) State the changes in equilibrium P and Q in the Pepsi market.

7. (Part 2, Section 1)

Fill in the blanks using the concepts of elasticity of demand and supply. Identify examples of goods that fall into each specific category.



(Part 2, Section 2.2)

i) Illustrate how an indirect tax of $0.30/can of soft drink can be represented in Figure 5.

ii) Analyse the effects of such an indirect tax on

- equilibrium P and equilibrium Q;
- CS and PS;
- Total Revenue of firms and Total Expenditure of consumers. (You need to apply the concept of PED)

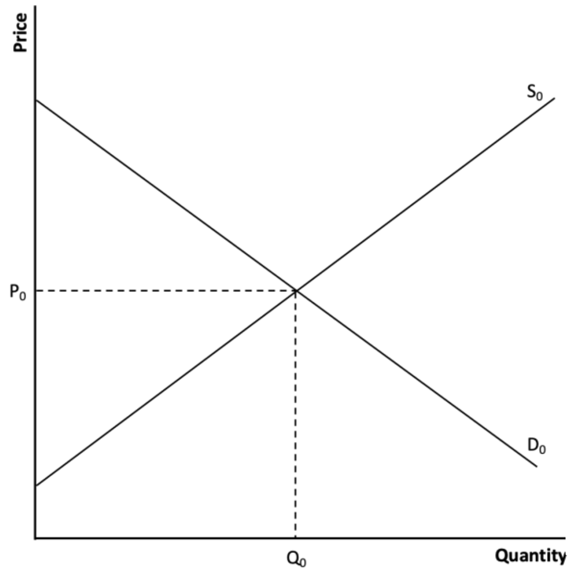


Figure 5

iii) Illustrate how a direct subsidy of $50 CDC vouchers affects the market for hawker food in Fig 6.

iv) Analyse the effects of such a direct subsidy on equilibrium P, equilibrium Q, TR, TE, CS, PS.

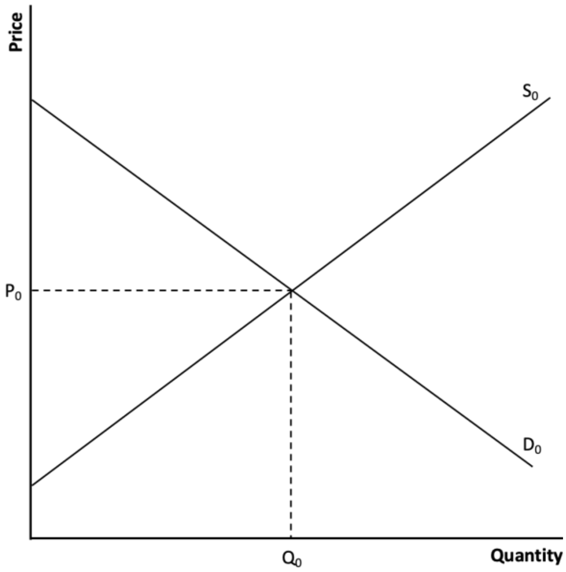
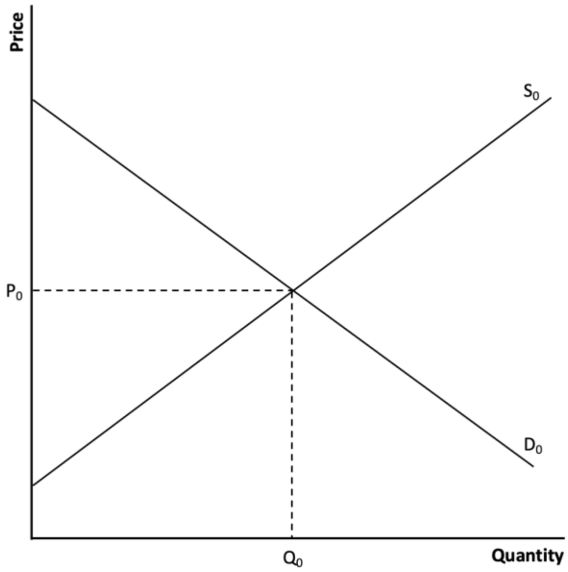


Figure 6

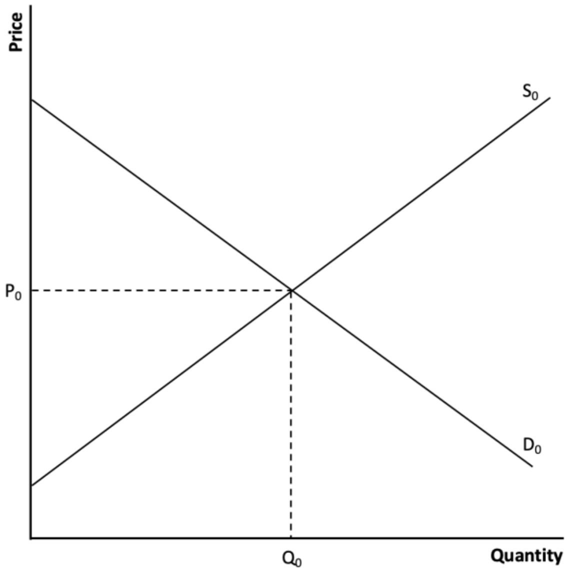
8. (Part 2, Section 2)

Illustrate the following types of government intervention in the free market in the below Figs, and analyse the effects on equilibrium P, equilibrium Q, TR, TE, CS and PS:

i) Quota



ii) Price Ceiling



iii) Price Floor