

- 6 The table shows the cross elasticities of demand for selected vehicle types with respect to the price of diesel vehicles in Norway.

Vehicles	Cross elasticity of demand
Battery electric	+0.48
Hybrid	+0.32

(Source: adapted from <https://etr.springeropen.com/articles/10.1186/s12544-020-00454-2/figures/6>)

Which **one** of the following can be deduced from the table?

- A A 10% increase in the price of diesel vehicles will result in a 4.8% decrease in the quantity of battery electric vehicles demanded
- B A 10% increase in the price of diesel vehicles will result in a 0.32% increase in the quantity of hybrid vehicles demanded
- C A 5% increase in the price of diesel vehicles will result in a 3.2% decrease in the quantity of hybrid vehicles demanded
- D A 5% increase in the price of diesel vehicles will result in a 2.4% increase in the quantity of battery electric vehicles demanded

(Total for Question 6 = 1 mark)

- 5 In July 2022 Amazon, the online retailer, announced that it would increase the price of its Amazon Prime subscription service from £79 to £95 per year. This resulted in 590 000 UK consumers cancelling their Amazon Prime subscriptions.

Which **one** of the following is the most likely explanation of this behaviour?

- A These consumers experienced inertia
- B These consumers experienced habitual behaviour
- C These consumers aimed to maximise their utility
- D These consumers aimed to minimise their utility

(Total for Question 5 = 1 mark)

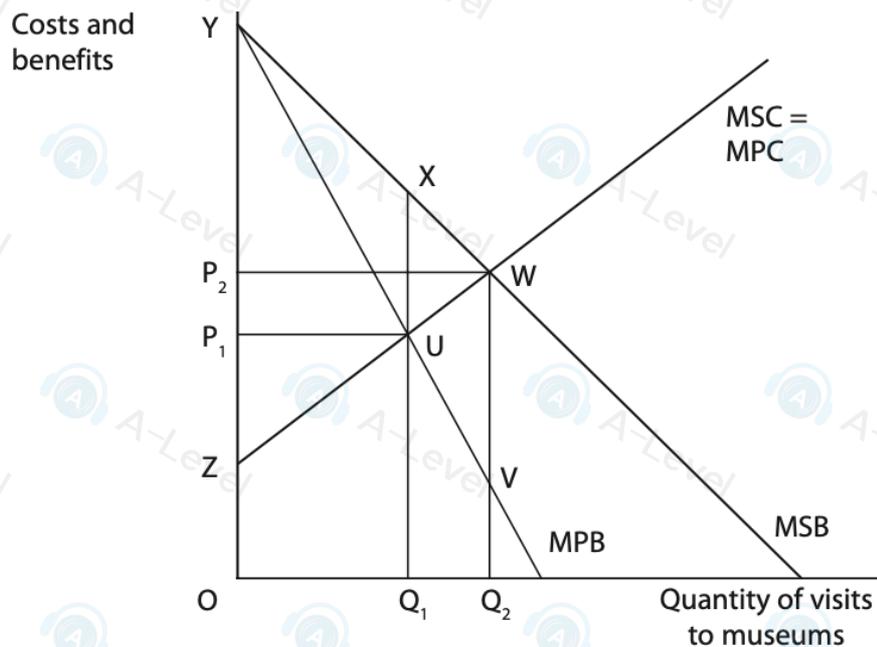
- 1 Singapore is considered to be close to being a free market economy, with low tax rates, minimal regulations on businesses and a reliance on the price mechanism.

Which **one** of the following is a disadvantage of a free market economy?

- A The profit incentive encourages investment
- B The non-provision of public goods
- C The possibility of government failure
- D An equal distribution of income

(Total for Question 1 = 1 mark)

4 The diagram shows the market for museum visits in Spain.



Which **one** of the following can be deduced from this diagram?

- A The market equilibrium quantity is at Q_2
- B The social optimum quantity is at Q_1
- C The welfare gain area would be equal to UVW
- D The welfare gain area would be equal to UWX

(Total for Question 4 = 1 mark)

1 Which **one** of the following combinations best describes the basic economic problem?

	Wants	Resources
A	Unlimited	Infinite
B	Unlimited	Finite
C	Finite	Infinite
D	Finite	Finite

(Total for Question 1 = 1 mark)

- 2 In 2015 the Government of Thailand set a maximum price below the market equilibrium price for flights within the country. In 2023 the Government of Thailand increased the maximum price by 3.75%.

Ceteris paribus, which **one** of the following is the most likely result of increasing the maximum price of flights within Thailand?

- A An increase in excess supply
- B A decrease in excess supply
- C An increase in excess demand
- D A decrease in excess demand

(Total for Question 2 = 1 mark)

- 11 In 2019 there were 15.7 million visitors to Legoland's eight theme parks globally. In 2021 this number decreased to 9.4 million.

Ceteris paribus, explain the likely impact of this decrease in visitor numbers on the producer surplus for Legoland.

Illustrate your answer with an appropriate diagram.

(4)

- 9 In 2021 the global price of cotton increased substantially. This resulted in an increase in the price of a cotton t-shirt from \$1.50 to \$2.

Rising fertiliser costs caused farmers to switch from growing wheat for bread production to growing wheat for animal feed that requires less fertiliser.

With reference to the information given, explain the difference between the rationing function and the incentive function of the price mechanism.

- 10 The table shows the global volume of olive oil produced in tonnes and the global price of olive oil per tonne in 2021 and 2022.

Year	Volume of olive oil produced in tonnes	Price of olive oil, per tonne
2021	2.93m	\$4 125
2022	3.27m	\$5 145

Ceteris paribus, calculate the price elasticity of supply for olive oil. Show your workings.

- 11 The table shows the total utility gained by Sheena as she increases the number of vegan protein bars that she consumes in one day.

Vegan protein bars	Total utility	Marginal utility
0	0	--
1	15	
2	29	
3	40	
4	46	
5	46	

Explain how the above table may be used to illustrate the concept of diminishing marginal utility.

(Total for Question 11 = 4 marks)

- 8 Unilever, a manufacturer of food, personal care and home care products, experienced an increase in total costs of €4.4 billion in 2022. As a result, the company raised its prices, on average, by 13.2% in Europe. Consequently, there was a 6.8% decrease in the number of items sold by Unilever because consumers switched to cheaper alternatives.

With reference to this information, explain what is meant by the term 'rational decision making'.