

- 1 **Statement 1:** The consumption of single-use plastic bags in Switzerland decreased by 80% after the Government introduced a tax on them.

Statement 2: Shops should be forced to charge consumers for single-use plastic bags to reduce the amount of plastic waste.

Which **one** of the following best describes the two statements?

- ☐ A Both statements are positive
- ☐ B Statement 1 is positive and statement 2 is normative
- ☐ C Both statements are normative
- ☐ D Statement 1 is normative and statement 2 is positive

(Total for Question 1 = 1 mark)

- 1 Which **one** of the following is a function of the price mechanism?

- ☐ A An increase in the price of hand sanitisers, caused by an increase in demand, will ration them to those who are most able to pay
- ☐ B A decrease in the price of carrots, caused by excess supply, provides farmers with the incentive to increase supply
- ☐ C A decrease in the price of tinned meat is a signal to producers that demand for it is increasing
- ☐ D An increase in the price of petrol is a signal to the government to impose a maximum price

(Total for Question 1 = 1 mark)

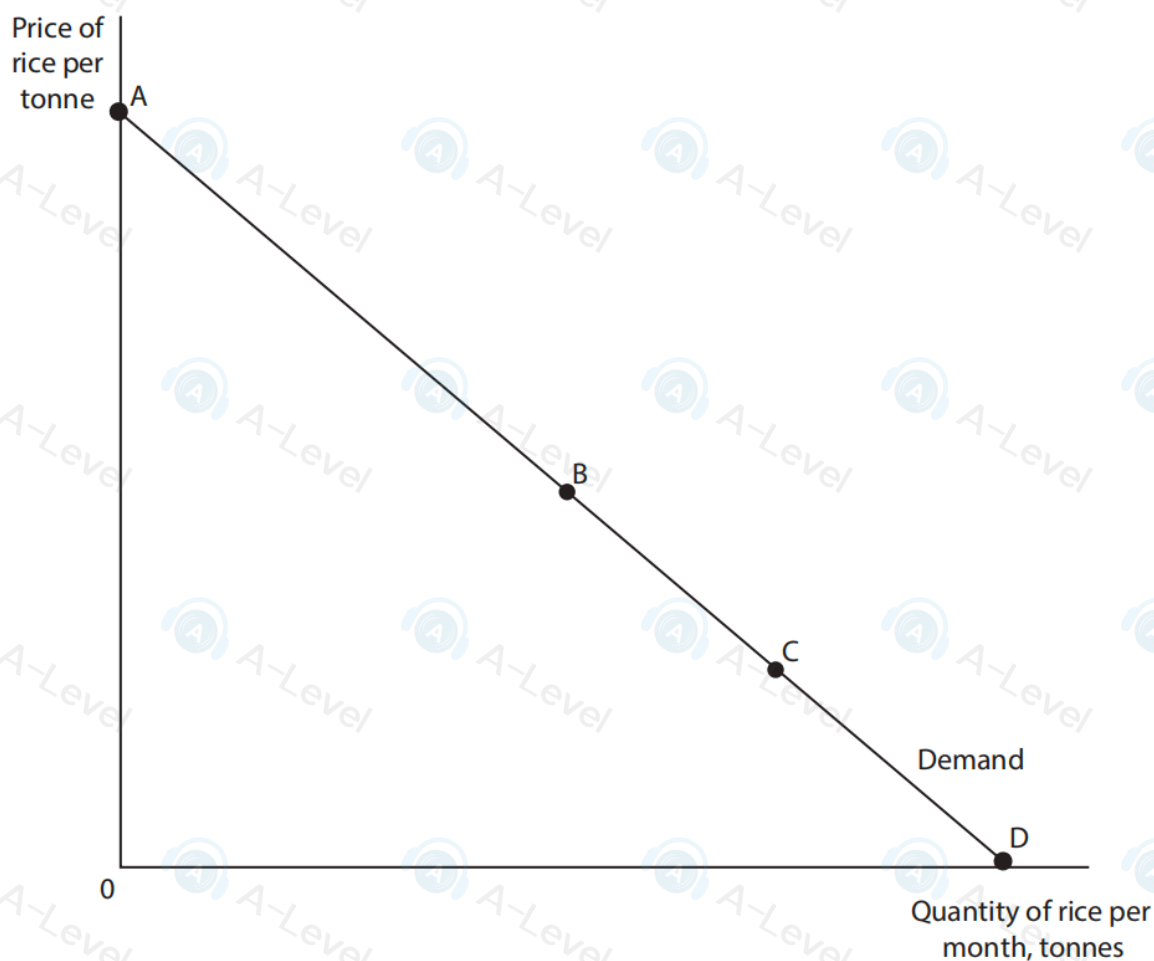
- 5 The European Union (EU) has a tradeable permit scheme for carbon emissions. The price of a carbon permit was below €5 in 2013 and increased to €25 in 2019.

Which **one** of the following is the most likely reason for the increase in the price of carbon permits?

- ☐ A The EU issued too few permits in 2013
- ☐ B The EU issued too many permits in 2019
- ☐ C The demand for permits decreased between 2013 and 2019
- ☐ D The supply of permits was reduced between 2013 and 2019

(Total for Question 5 = 1 mark)

5 The diagram shows a demand curve for rice.



At which point on the demand curve will the price elasticity of demand be unitary?

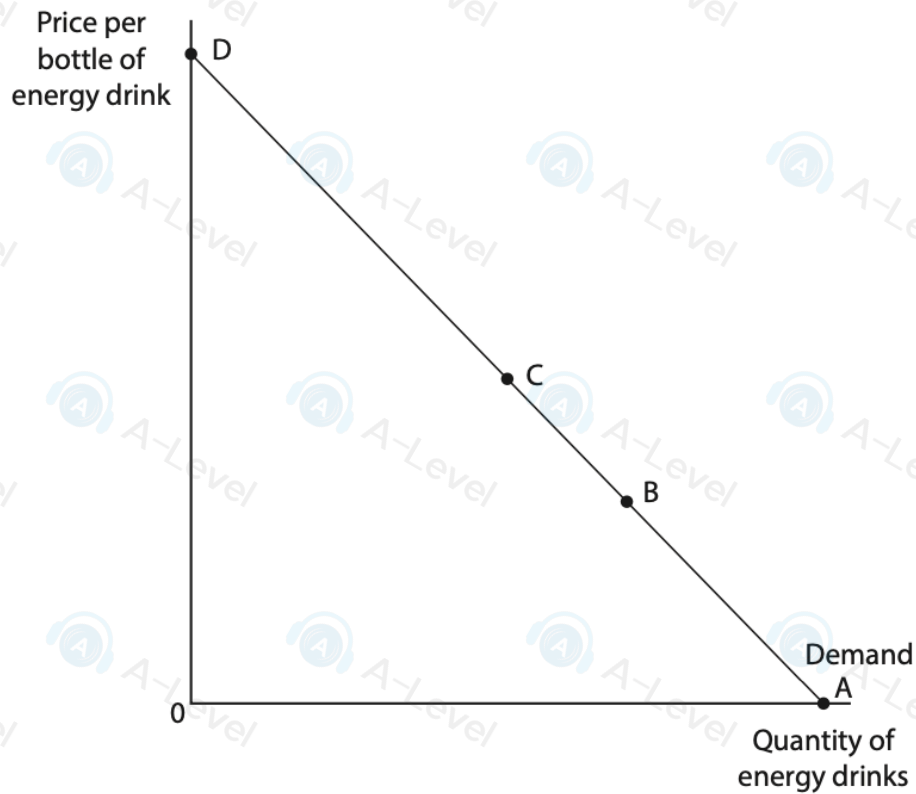
- ☐ A
- ☐ B
- ☐ C
- ☐ D

(Total for Question 5 = 1 mark)

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4 The diagram shows the demand curve for bottled energy drinks.



Which **one** of the following points has the value of -1 for price elasticity of demand?

- ☐ A
- ☐ B
- ☐ C
- ☐ D

(Total for Question 4 = 1 mark)

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- 6 The table shows the cross elasticity of demand for selected drinks with respect to sugar-sweetened drinks in Chile.

Drink	Cross elasticity of demand
Water	+0.63
Milk	+0.25
Coffee	+0.12

(source: <https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-017-4098-x/tables/5>)

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

- ☐ A The demand for coffee will be most responsive to a change in the price of sugar-sweetened drinks
- ☐ B The demand for water will be most responsive to a change in the price of sugar-sweetened drinks
- ☐ C An increase in the price of sugar-sweetened drinks will lead to a more than proportionate increase in the demand for milk
- ☐ D An increase in the price of sugar-sweetened drinks will lead to a decrease in the demand for water, milk and coffee

(Total for Question 6 = 1 mark)

- 9 Lake Poopó in Bolivia used to provide the local community with water to irrigate the quinoa fields. By 2017 there had been a 98% reduction in the size of the lake. The community could no longer use the lake for irrigation.

Explain whether Lake Poopó is a free good or an economic good.

- 10 The table shows the average price of green coffee beans and the global output of green coffee beans in February 2023 and in February 2024.

	Price of green coffee beans per lb	Output of green coffee beans (tonnes)
February 2023	\$1.61	8 510 000
February 2024	\$1.82	11 550 000

Ceteris paribus, calculate the price elasticity of supply for green coffee beans.

Show your workings.

- 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.

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- 11 In January 2022 Vietnam's Government introduced an indirect tax on online sales. This was charged at 10% on all online transactions.

Explain the impact of the introduction of this indirect tax on the market for paperback books sold online in Vietnam.

Illustrate your answer with an appropriate diagram.

- 8 Rimac manufacture electric cars. With the first model, the Concept_One, an individual worker was responsible for building each car from start to finish. Only seven were manufactured. In 2017 €30 million was spent on developing a factory which would use the division of labour to manufacture 200 Concept_Two cars.

With reference to the market for car manufacturing, explain **one** benefit of the 'division of labour'.