

A-Level Economics

Name: _____ Score: _____

1. The law of demand says that, other things equal, as price rises quantity demanded:
 - ☐ rises
 - ☐ falls
 - ☐ becomes zero
 - ☐ stays the same
2. The supply curve slopes upward because, as price rises, firms:
 - ☐ supply less
 - ☐ leave the market
 - ☐ lower their prices
 - ☐ are willing to supply more
3. Price rises 20% and quantity demanded falls 10%. What is the PED (as a decimal, keep the sign)?

4. Income rises 10% and quantity demanded rises 20%. What is the YED?

5. Price rises 20% and quantity supplied rises 30%. What is the PES?

6. Market equilibrium occurs where:
 - ☐ price is zero
 - ☐ demand is highest
 - ☐ quantity demanded equals quantity supplied
 - ☐ supply is highest
7. Consumer surplus is the difference between:
 - ☐ what buyers are willing to pay and what they actually pay
 - ☐ price and cost of production
 - ☐ supply and demand
 - ☐ revenue and profit
8. A rise in consumer income causes:

- ☐ a steeper supply curve
- ☐ a movement along the demand curve
- ☐ no change
- ☐ a shift of the demand curve

9. A government subsidy shifts the supply curve to the right.

- ☐ True ☐ False

10. Necessities with few substitutes tend to have elastic demand.

- ☐ True ☐ False

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1. **falls**

Higher price → lower quantity demanded; the demand curve slopes downward.

2. **are willing to supply more**

Higher prices reward production, so quantity supplied rises – an upward curve.

3. **-0.5**

$PED = -10\% / +20\% = -0.5$ (inelastic).

4. **2**

$YED = 20\% / 10\% = 2$ – a normal luxury good.

5. **1.5**

$PES = 30\% / 20\% = 1.5$ – elastic.

6. **quantity demanded equals quantity supplied**

At equilibrium the curves cross: $Q_d = Q_s$ and the market clears.

7. **what buyers are willing to pay and what they actually pay**

It is the value buyers get above the price – the area below demand and above price.

8. **a shift of the demand curve**

Only the good's own price moves you along the curve; income shifts the whole curve.

9. **True**

A subsidy lowers effective costs, so firms supply more at each price.

10. **False**

False. People keep buying necessities when the price rises, especially if there are few substitutes, so demand is price inelastic (PED between 0 and -1).