Past-paper walk-through

The interaction of demand and supply ▪ 2.4

eXercise

Questions in this set

- 9708/11 N25 Q12 ▪ 1 mark
- 9708/12 N25 Q12 ▪ 1 mark
- 9708/12 N25 Q13 ▪ 1 mark
- 9708/13 N25 Q8 ▪ 1 mark
- 9708/14 N25 Q8 ▪ 1 mark
- 9708/23 N25 Q2 ▪ 20 marks
- 9708/11 J25 Q9 ▪ 1 mark
- 9708/12 J25 Q6 ▪ 1 mark
- 9708/1 23 Q10 ▪ 1 mark

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 12

9708/11 N25 ▪ Q12 ▪ 1 mark

12 A government gives a subsidy to a producer of a product.

What will be the likely effect of this?

A a shift to the left in the demand curve and a rise in equilibrium quantity

B a shift to the left in the supply curve and a rise in equilibrium quantity

C a shift to the right in the demand curve and a fall in equilibrium price

D a shift to the right in the supply curve and a fall in equilibrium price

Solution 12

Answer: **D**

Why

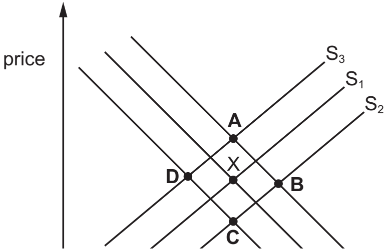
- A subsidy to producers lowers their costs, so supply shifts to the *right*.
- The equilibrium price falls and the equilibrium quantity rises.
- The demand curve does not move at all – the subsidy goes to the producer.

Question 12

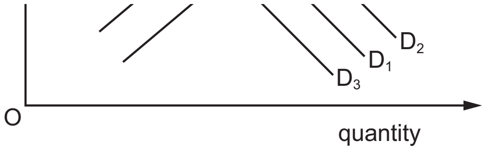
9708/12 N25 ▪ Q12 ▪ 1 mark

12 The diagram shows the market for a demerit good. The initial equilibrium is at point X.

What will be the new equilibrium if the government imposes a unit tax on this demerit good and successfully informs consumers of its harmful effects?



Question 12



Solution 12

Answer: **D**

Why

- A unit tax raises producers' costs, so the supply curve shifts up and to the left.
- The new equilibrium has a higher price and a lower quantity.
- For a demerit good that is the point: consumption falls towards the socially optimal level.

Question 13

9708/12 N25 ▪ Q13 ▪ 1 mark

13 To improve the health of people, a government puts a tax on the sale of drinks that contain sugar.

What are the likely effects of this tax on **both** the prices of the drinks that contain sugar and the price of sugar?

	prices of drinks	price of sugar
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

Solution 13

Answer: **C**

Why

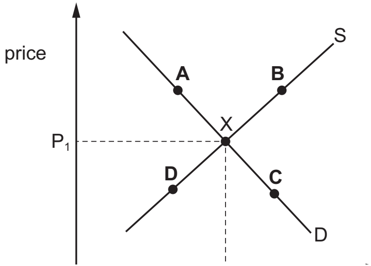
- The tax shifts supply left, so the price of sugary drinks rises and the quantity bought falls.
- Consumers switch towards untaxed substitutes, so demand for those rises.
- So the sugary drinks get dearer and less consumed, while sugar-free alternatives sell more.

Question 8

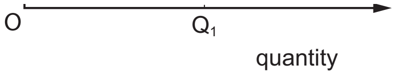
9708/13 N25 ▪ Q8 ▪ 1 mark

8 The diagram shows the demand curve and supply curve for broken rice that is considered to be an inferior good. The market is in equilibrium at point X with a price of P_1 and quantity of Q_1.

Which point is the new equilibrium if household incomes rise?



Question 8



Solution 8

Answer: **D**

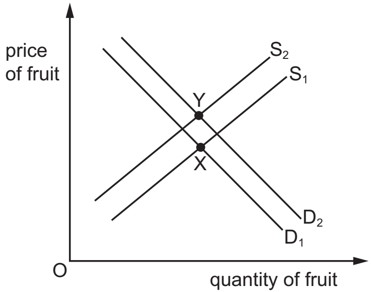
Why

- Broken rice is an inferior good, so demand *rises* when income falls.
- So a fall in incomes shifts the demand curve to the right.
- Price and quantity both rise, which is the opposite of what happens for a normal good.

Question 8

9708/14 N25 ▪ Q8 ▪ 1 mark

8 The diagram shows the market for fresh fruit in an economy. Fruit has a positive income elasticity of demand and is mainly imported. The original equilibrium is at X.



Question 8

What is the most likely cause of the equilibrium point moving from X to Y?

A a fall in real income and a depreciation of the exchange rate

B a fall in real income and an appreciation of the exchange rate

C a rise in real income and a depreciation of the exchange rate

D a rise in real income and an appreciation of the exchange rate

Solution 8

Answer: **C**

Why

- Fruit is mainly imported, so a change in the exchange rate shifts the *supply* curve.
- It has a positive income elasticity, so a change in incomes shifts the *demand* curve.
- So decide first which side of the market the change acts on.

Question 2

9708/23 N25 ▪ Q2 ▪ 20 marks

2 (a) In 2022 the supply of root ginger from Nigeria, Africa's biggest producer, fell by 20%. Market demand was expected to grow by more than 5%.
With the help of a demand and supply diagram, explain how the market equilibrium for root ginger in Nigeria is likely to change and consider how certain you are of the new market price. [8]
(b) Assess the ways in which producers of root ginger might be able to stabilise their incomes.
[12] OR
(a) (a) In 2022 the supply of root ginger from Nigeria, Africa's biggest producer, fell by 20%. Market demand was expected to grow by more than 5%. With the help of a demand and supply diagram, explain how the market equilibrium for root ginger in

Question 2

Nigeria is likely to change and consider how certain you are of the new market price. [8] **[8]**

(b) (b) Assess the ways in which producers of root ginger might be able to stabilise their incomes. [12] **[12]**

Solution 2

(a) Mark scheme

- In 2022 the supply of root ginger from Nigeria, Africa's largest producer,
- fell by 20%. Market demand was expected to grow by more than 5%.
- With the help of a demand and supply diagram, explain how the market
- equilibrium for root ginger in Nigeria is likely to change and consider
- how certain you are of the new market price.
- Follow the point-based marking guidance at the top of this mark scheme and
- award:
- up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2

Solution 2

- Analysis up to 2 marks for AO3 Evaluation.
- AO1 Knowledge and Understanding (max 3 marks)
- An accurate definition of equilibrium. A fully labelled, accurate diagram
- showing understanding that the decrease in supply will shift the supply curve
- to the left (1) and the increase in demand will shift the demand curve to the
- right (1). This can be shown on 2 separate diagrams.
- AO2 Analysis (max 3 marks)
- Analysis of how the decrease in supply is likely to increase the price of root
- ginger; an analysis of how the increase in demand is likely to increase the
- price of root ginger. Up to 2 marks for each reason explained. Maximum of 3

Solution 2

- marks overall.
- AO3 Evaluation (max 2 marks)
- An assessment of the significance that the overall impact on the equilibrium
- will depend on the relative size of both shifts and/or the relevance of the PED
- and PES.
- 8
- AO1 Knowledge and understanding
- 3
- AO2 Analysis
- 3

Solution 2

- AO3 Evaluation
- 2
- 9708/23
- October/November
- 2025

Solution 2

(b) Mark scheme

- Assess the ways in which producers of root ginger might be able to
- stabilise their incomes.
- Use Table A: AO1 Knowledge and understanding and AO2 Analysis and
- Table B: AO3 Evaluation to mark candidate responses to this question.
- AO1 and AO2 out of 8 marks. AO3 out of 4 marks.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding and AO2 Analysis

Solution 2

- ▪
- An analysis of the at least 2 ways in which producers or root ginger might
- be able to stabilise their income. For example, using their land for other
- purposes, diversifying or benefitting from government interventions.
- These interventions may include:
- Subsidies
- ▪
- Provision of financial support to help producers cover costs and maintain
- stable incomes.
- ▪

Solution 2

- Encourage production by making ginger farming more profitable.
- ▪
- Can be expensive for the government to maintain long-term.
- ▪
- May encourage overproduction, leading to wasted resources or falling
- market prices.
- Minimum Price
- ▪
- Guarantees a minimum income for producers, stabilizing their earnings.
- ▪

Solution 2

- Encourages consistent production levels.
- ▪
- May lead to surpluses if minimum price is above equilibrium.
- ▪
- Government may need to buy excess ginger, increasing costs.
- Buffer Stock Systems
- ▪
- Helps smooth out price fluctuations by buying surplus and releasing stock
- during shortages.
- ▪

Solution 2

- Provides income stability for producers during periods of low demand.
- ▪
- Requires significant storage and management costs.
- ▪
- Risk of losses if stored ginger spoils or market conditions change.
- Guidance: The assessment of both perspectives must be in the context of
- stabilising the income of root ginger producers and not a general
- explanation of a range of policies. A response that fails to do this is unlikely
- to achieve above a mid-Level 2 mark.
- Level 1 responses will be assertive and lacking in explanations / mainly

Solution 2

- descriptive and/or or mainly lacking in relevance to the question.
- Level 2 responses may contain some inaccuracies and may be one sided.
- Analysis will be explained at least in part and will be largely relevant to the
- question.
- 12
- 9708/23
- October/November
- 2025
- Level 3 responses will consider alternative policies / concepts etc. and will
- be balanced. Explanations of points raised will be offered and will be accurate

Solution 2

- and relevant to the question.
- AO3 Evaluation
- That clearly analyses at both sides of the question and comes to a valid
- conclusion.
- A one-sided response cannot gain any marks for evaluation.
- Accept all valid responses.
- AO1 Knowledge and understanding and AO2 Analysis
- 8
- AO3 Evaluation
- 4

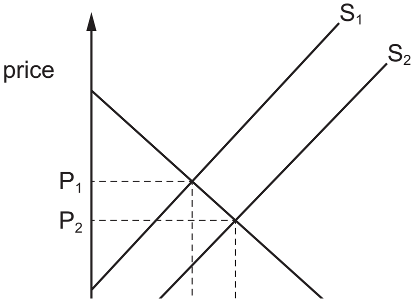
Solution 2

- 9708/23
- October/November
- 2025
- OR

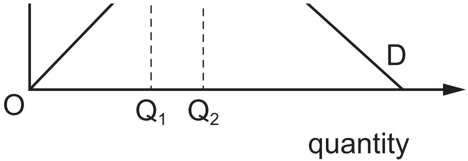
Question 9

9708/11 J25 ▪ Q9 ▪ 1 mark

9 The diagram shows the demand for and supply of a product.



Question 9



What could cause supply to shift from S_1 to S_2?

A a fall in the price of the product

B a fall in labour costs

C a rise in the price of the product

Question 9

D a rise in labour costs

Solution 9

Answer: **B**

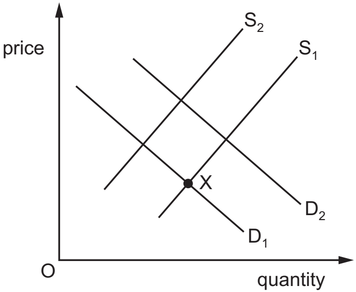
Why

- A supply curve shifting right means more supplied at every price.
- Costs of production falling, a subsidy, or better technology all do that.
- A change in the price of the product itself moves you *along* the curve – it does not shift it.

Question 6

9708/12 J25 ▪ Q6 ▪ 1 mark

6 D_1 and S_1 are the initial demand and supply curves in the market for new cars with an equilibrium at X.



Question 6

What will cause the demand curve to shift to D_2 and the supply curve to shift to S_2?

A a decrease in real incomes and a rise in the costs of new car production

B a decrease in the price of petrol and a subsidy on new car production

C an increase in the availability of loans for new car purchases and a specific tax on new cars

D an increase in the price of train travel and an increase in the number of car producers

Solution 6

Answer: **C**

Why

- The demand curve shifts when something other than the good's own price changes.
- Income, tastes, population, or the price of a substitute or complement will all do it.
- A change in the car's own price moves you along the curve instead.

Question 10

9708/1 23 ▪ Q10 ▪ 1 mark

10 The demand for a good falls at the same time as its costs of production decrease.

What will be the combined effect of these changes on the price and on the quantity supplied of the good?

	price	quantity supplied
A	decrease	decrease
B	decrease	uncertain
C	uncertain	decrease
D	uncertain	uncertain

Solution 10

Answer: **B**