Exercise walk-through

Demand and supply curves ▪ 2.1

eXercise

You must be able to

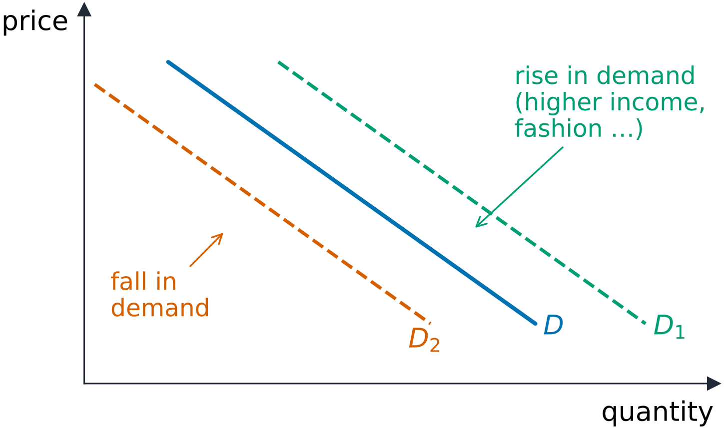
- draw demand and supply curves and explain their slopes
- distinguish a movement along a curve from a shift of the whole curve
- analyse the determinants that shift demand and supply

Method — Movements and shifts

- **Law of demand:** price up $\rightarrow$ quantity demanded down (curve slopes **down**).
- **Law of supply:** price up $\rightarrow$ quantity supplied up (curve slopes **up**).
- **Shifts demand:** income, price of a **substitute 替代品** / **complement 互补品**, tastes, population.
- **Shifts supply:** costs of production, technology, a **subsidy 补贴** or **tax 税**.

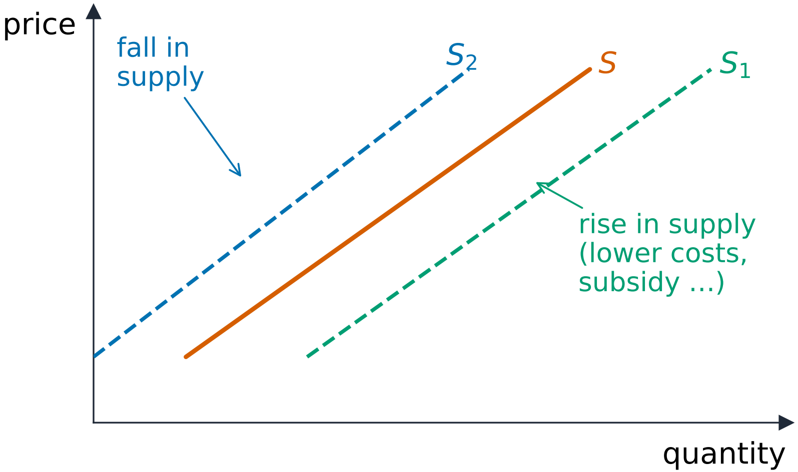
Answer shapes: an **Explain [up to 8]** answer should use a labelled diagram (AO3); **Discuss [12]** adds a judgement (AO4).

Method — Movements and shifts



A change in income, tastes or related prices shifts the whole demand curve

Method — Movements and shifts



Practice 2.1 ▪ 2 marks

Define the term *demand*.

Solution 2.1

Worked steps

the quantity of a good that buyers are willing and able to buy at each price over a period of time (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ▪ 2 marks

State two determinants that shift the demand curve.

Solution 2.2

Method: Movements and shifts

Worked steps

any two of: income; price of a substitute; price of a complement; tastes/fashion; population; advertising $(1 + 1)$.

Practice 2.3 ▪ 1 mark

State the effect on the demand for coffee of a rise in the price of tea (a substitute).

Solution 2.3

Method: Movements and shifts

Worked steps

the demand for coffee rises (it shifts right) (1).

Exam-style 3.1 ▪ 1 mark

A fall in the good's **own price** is shown on a demand diagram as a:

A rightward shift of the demand curve

B leftward shift of the demand curve

C movement down along the demand curve

D shift of the supply curve

Solution 3.1

Method: Movements and shifts

A rightward shift of the demand curve

B leftward shift of the demand curve

C movement down along the demand curve ✓

D shift of the supply curve

Worked steps

C. An own-price change is a movement along the demand curve.

Exam-style 3.2 ▪ 6 marks

Using a demand diagram, explain how a rise in consumer income affects the demand for a normal good.

Solution 3.2

Method: Movements and shifts

Worked steps

[6] AO1 1 + **AO3 diagram up to 3** (labelled axes price/quantity, demand shifts right $D \rightarrow D_1$) + AO2/AO3 up to 2 — higher income raises demand for a normal good $\rightarrow$ the curve shifts right $\rightarrow$ at the same price, quantity demanded is higher (and price/quantity rise once supply is added).

Exam-style 3.3 ▪ 6 marks

Explain two determinants that could shift the supply curve of wheat to the left.

Solution 3.3

Method: Movements and shifts

Worked steps

[6] For **each** of two determinants: AO1 1 + AO3 up to 2 — e.g. *higher input costs*: dearer fertiliser raises production costs → firms supply less at each price → supply shifts left. *Bad weather*: a poor harvest cuts output → less wheat supplied at each price → supply shifts left. Maximum 3 each.