10 Which type of good is most suitable for a successful buffer stock scheme?

	easy to produce	cheap to store	perishable
A	yes	yes	yes
B	yes	no	no
C	no	yes	no
D	no	no	yes

A-Level Economics: **w25 13**

10 Four firms produce furniture. The table shows the price elasticity of supply (PES) for each firm.

If the price of furniture rises by 5% which firm would experience an increase in quantity supplied of 2.5%?

firm	PES for furniture
A	2.5
B	2.0
C	0.6
D	0.5

A-Level Economics: **w25 14**

6 Which factor affects the price elasticity of supply of a product?

A availability of stocks

B percentage of income spent on the product

C price of substitutes

D wage rate

3 **(a)** Explain what determines elastic and inelastic price elasticity of supply (PES) **and** consider the extent to which the value of PES may differ between an agricultural good and a manufactured good. [8]

(b) Firms will often try to estimate elasticity values to judge the possible success of decisions to change prices or to introduce new products.

Assess the extent to which an understanding of income elasticity of demand (YED) may be more useful than cross elasticity of demand (XED) in increasing the income from sales for a firm. [12]

Section C

Answer **one** question.

EITHER

8 What would best explain why the price elasticity of supply (PES) is likely to be lower for fresh vegetables grown within a country compared to the PES of goods manufactured in that country?

A Alternative supplies can be flown in from foreign producers.

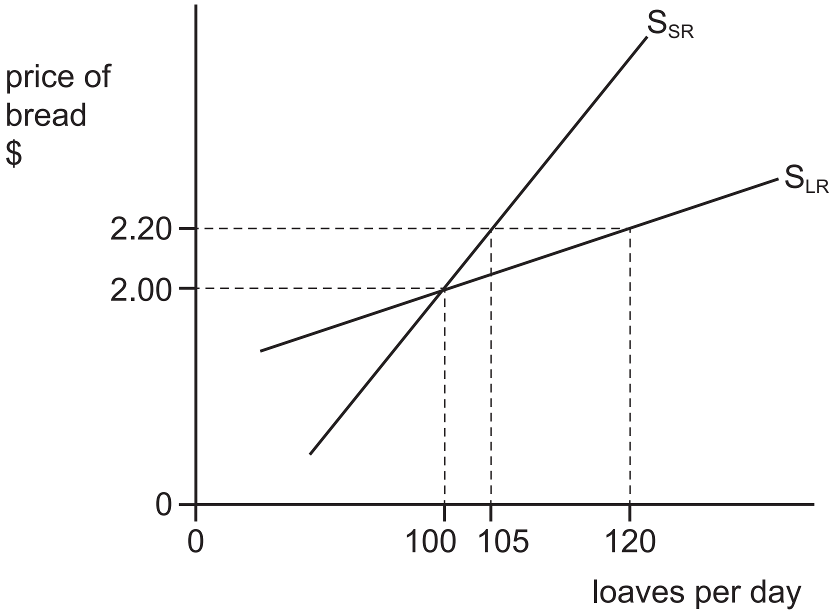
B A positive price change encourages a positive output change along the supply curve.

C Fresh vegetables has a horizontal supply curve.

D There is a seasonal time lag involved in planting and harvesting more fresh vegetables.

8 The diagram shows the short-run supply curve (S_{SR}) and long-run supply curve (S_{LR}) for a bakery.

The price of a loaf of bread increases from \$2.00 to \$2.20.



What is the bakery's price elasticity of supply (PES) in the short run and in the long run when the price of a loaf of bread increases?

	short run	long run
A	0.5	2.0
B	0.5	1.4
C	2.0	0.7
D	2.0	0.5

8 A firm establishes that the price elasticity of supply of its product has a value of 0.3.

What is likely to be true about the firm?

A It has unused productive capacity.

B It has a lot of stock of its product.

C It uses a high proportion of perishable raw materials.

D It uses factors of production that are easily substituted.