IGCSE ECONOMICS • EXERCISE SHEET

2.5 Price changes

Name: ______________ Class: __________ Date: ____________ **Total: 16 marks**

KEY WORDS shortage 短缺 • excess demand 超额需求 • excess supply 超额供给 • surplus 过剩 • disequilibrium 非

Objective

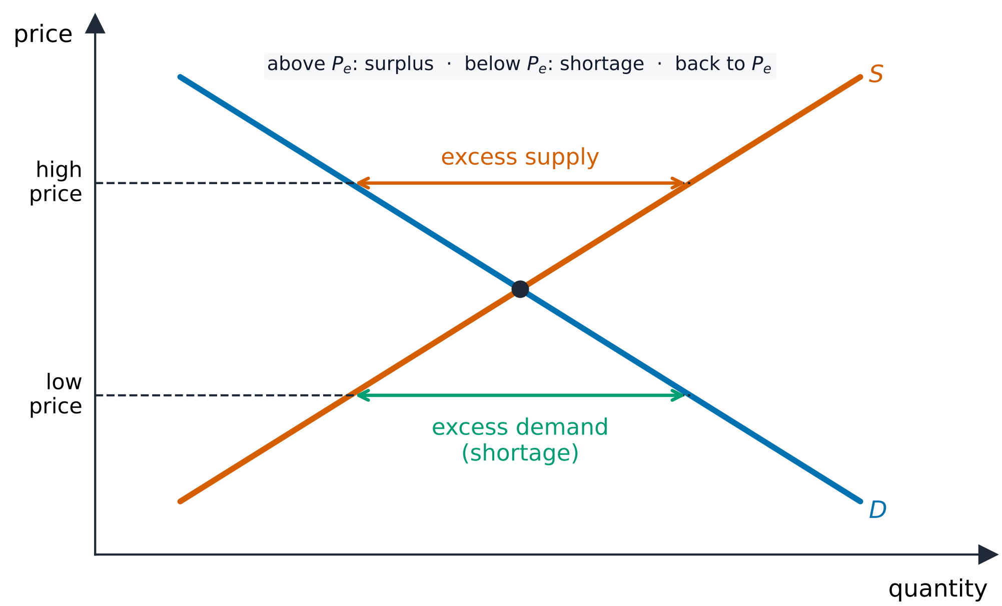
Build the skills to answer exam questions on **price changes 价格变化** — how a **shift** in demand or supply changes the equilibrium, and **disequilibrium 非均衡** (**excess demand and excess supply 超额需求与超额供给**).

You must be able to:

- state how a shift in demand or supply changes price and quantity
- explain excess demand (a shortage) and excess supply (a surplus)
- analyse how the market returns to equilibrium

1 Worked examples

■ Disequilibrium

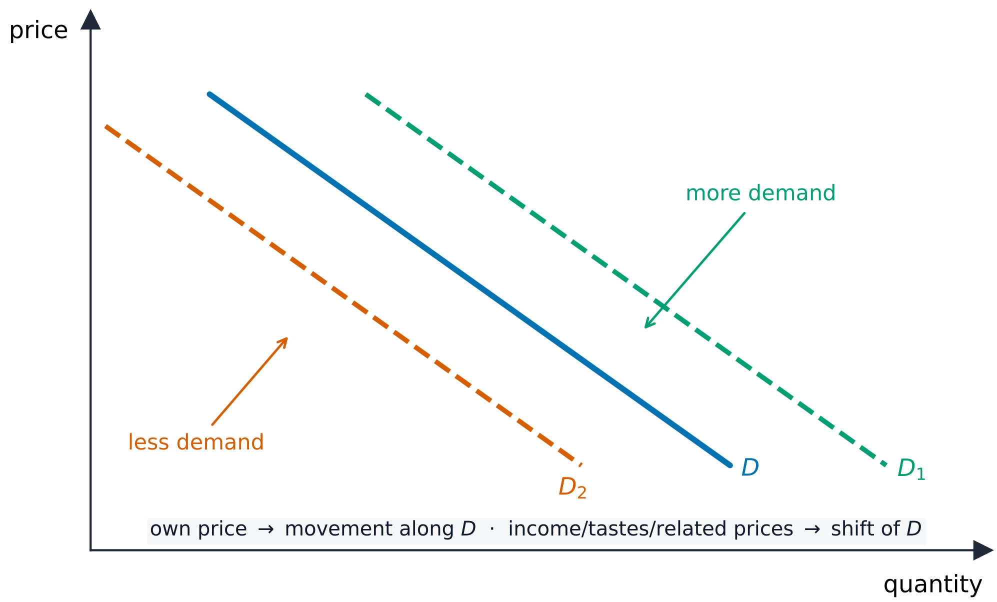


Either way the price is pushed back to equilibrium

- **Demand right** → price ↑, quantity ↑. **Supply right** → price ↓, quantity ↑.
- **Excess demand 超额需求** (price too low) = a **shortage 短缺** → buyers compete,

price rises.

- **Excess supply** 超额供给 (price too high) = a **surplus** 过剩 → sellers cut the price.



A shift in demand (or supply) moves the equilibrium to a new price and quantity

Answer shapes: an **Analyse [up to 6]** answer should use a labelled diagram; **Discuss** [8] adds a judgement (Ev).

2 Practice

2.1 Define the term *excess demand*. [2]

2.2 State what happens to price when there is a **surplus** (excess supply). [1]

2.3 State the effect on equilibrium price and quantity of a rightward shift in supply. [2]

3 Exam-style questions

3.1 A price set **below** the equilibrium price will cause: [1]

- **A** excess supply, pushing price down
- **B** excess demand, pushing price up
- **C** the market to stay in equilibrium
- **D** the demand curve to shift left

3.2 Explain how a market with a **surplus** returns to equilibrium. [4]

3.3 Bad weather destroys part of a coffee harvest. Analyse the effect on the market for coffee. [6]

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 when, at the current price, the quantity demanded is greater than the quantity supplied (a shortage) (2 for a clear definition; 1 for a partial idea).

2.2 the price falls (1).

2.3 price falls and quantity rises (1 + 1).

3.1 B. Below equilibrium there is excess demand, which pushes the price up.

3.2 *[4]* K 1 + An up to 3 — a surplus means firms supply more than buyers want at the current price → unsold stock builds up → sellers cut the price → as price falls, quantity demanded rises and quantity supplied falls → the market returns to equilibrium.

3.3 *[6]* K/App/An (diagram: supply shifts left) — destroying part of the harvest cuts supply → the supply curve shifts left → at the old price there is excess demand → the price is bid up → the new equilibrium has a higher price and lower quantity of coffee.