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### 1.8 PRICE ELASTICITY OF SUPPLY: EXAM PRACTICE QUESTIONS

Answer the questions that follow.

#### 1. IB ECONOMICS PAPER 1 EXAMINATION QUESTIONS

- Using examples, explain the factors that determine whether the supply of a good is price-elastic or price-inelastic. **[10 marks]**
- Suggest likely values for the price elasticity of supply of (i) van Gough's paintings, and (ii) copies of van Gough's paintings. **[10 marks]**
- It is often observed that the price elasticity of supply for primary commodities is relatively low while that of manufactured goods is relatively high. Using diagrams, explain why. **[10 marks]**
- Using diagrams, explain how the relationship between time and PES can result in a single good having different price elasticities ranging from zero to infinity. **[10 marks]**

# IB Economics – Elasticity

## Exam Practice Questions: 1.8: Price Elasticity of Supply

### 2. IB ECONOMICS HL PAPER 3 EXAMINATION QUESTIONS

#### Question One

[25 marks]

- a. When prices increase by 8%, the quantity supplied of good A increases by 5% and good B increases by 15%. Calculate PES for goods A **and** B. [2 marks]
- b. Outline why the mathematical value of PES is usually positive. [2 marks]
- c. State two special cases where the mathematical value of PES is not positive. [2 marks]
- d. State the numerical range of price elastic and inelastic supply, and draw diagrams to illustrate the difference between them. [4 marks]
- e. On the same diagram, sketch two supply curves that are both unit elastic. [2 marks]
- f. Sketch perfectly price elastic and price inelastic supply curves and outline the differences between them. [2 marks]
- g. Use formulas to distinguish between price elasticity of supply along a supply curve **and** the slope of a linear supply curve. [3 marks]

Use the following information to answer questions (h.) - (k.). The price of good A increases from \$11 to \$14 per unit, the quantity of good A supplied to the market:

- h. Is unchanged in the first week. Calculate PES. [1 mark]
- i. Increases from 20 000 to 22 000 units over 6 months. Calculate PES. [2 marks]
- j. Increases from 20 000 units to 32 000 over two years. Calculate PES. [2 marks]
- k. Comment on all **three** results above and explain the relationship between time and quantity supplied. [3 marks]

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