

IB Economics – Competitive Markets: Demand and Supply

Exam Practice Questions: 1.3 – Market Equilibrium



IB Economics: www.IBDeconomics.com

1.3 MARKET EQUILIBRIUM: EXAM PRACTICE QUESTIONS

Answer the questions that follow.

1. IB ECONOMICS PAPER 1 EXAMINATION QUESTIONS

1. Over time, it is observed that the number of cell phones produced and sold increases, and that the price of cell phones falls. Use diagrams and explain whether or not whether or not the law of supply has been contravened. **[10 marks]**
2. Over a period of years, it is observed that the price of apples has increased and the quantities of apples bought by consumers in the market has also increased. Use diagrams and explain whether or not whether or not the law of demand has been contravened. **[10 marks]**
3. By referring to the concept of excess supply and using a diagram, analyse the effects of improved technology and the falling prices of inputs on the increasing affordability of food in many markets. **[10 marks]**

2. IB ECONOMICS HL PAPER 3 EXAMINATION QUESTIONS

Question One

[25 marks]

Given the supply and demand functions for good A: $QD = 35 - 5P$ and $QS = -10 + 10P$.

- a. Calculate equilibrium price and quantity. **[2 marks]**
- b. On a graph, plot the supply and demand curves and the equilibrium price and quantity.

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[4 marks]

c. Identify and calculate the amount excess supply or excess demand at prices of \$2 **and** \$6.

[6 marks]

d. Explain how the market forces associated with excess supply and demand will restore market equilibrium.

[4 marks]

e. Wage increases for workers mean that the number of units supplied decreases by 15 at each price. State the new supply function and plot the new supply curve.

[2 marks]

f. Derive the new equilibrium price and quantity. Plot this on your graph.

[3 marks]

g. Following a decrease in supply, explain how price works in a competitive market as a signal and an incentive to restore market equilibrium.

[4 marks]

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