1.14 Price Elasticity of Supply and Its Determinants: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Write full sentences for the 10-mark data-response, the 10-mark evaluate question and the 25-mark essay. A calculator is not allowed. Show working for every calculation.

1 Define price elasticity of supply (PES) for the context of a UK agricultural market such as wheat producers.

(Total for Question 1 is 2 marks)

2 Calculation: In an agricultural example, wheat price rises from £200 to £220 per tonne and quantity supplied rises from 1,000 tonnes to 1,040 tonnes. Calculate PES for wheat over this period. Show working and state the sign and unit.

(Total for Question 2 is 4 marks)

3 State and briefly explain the limiting cases of PES: perfectly elastic supply and perfectly inelastic supply, using brief UK market examples for each.

(Total for Question 3 is 2 marks)

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Mark scheme · 1.14 Price Elasticity of Supply and Its Determinants: 10-minute Pack

Question 1

a measure of how much the quantity supplied of a good changes in response to a change in its price **B1**

numerical definition: PES = percentage change in quantity supplied / percentage change in price **B1**

Answer: PES measures how much quantity supplied responds to a change in price; PES = % change in quantity supplied divided by % change in price.

Question 2

method: percentage change in quantity supplied = (1040 - 1000) / 1000 x 100 = 4% **M1**

method: percentage change in price = (220 - 200) / 200 x 100 = 10% **M1**

accuracy: PES = 4% / 10% = 0.4 **A1**

state: PES = 0.4, unitless and positive (quantity rises as price rises) **A1**

Answer: PES = 0.4, positive and unitless.

Question 3

perfectly inelastic supply: PES = 0, quantity supplied unchanged regardless of price, example: unique original artwork with fixed supply **B1**

perfectly elastic supply: PES = infinity, any price below the market price yields zero supply and at that price firms supply any quantity, example: a perfectly competitive market with many identical firms in the very long run (theoretical) **B1**

Answer: Perfectly inelastic: PES = 0, quantity fixed whatever price, e.g. a unique painting. Perfectly elastic: PES = infinity, small price change yields infinite response in quantity at that price, theoretical example in perfect competition.

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