

1.2 - The Market

Test your knowledge of Theme 1.2 by working out whether the following statements are true or false. Ensure that you consider each statement carefully before selecting a response. Precise knowledge is essential for success in A Level Business!

1- Demand for a product at a set price can be affected by the availability of substitutes, average consumer income, advertising, and external shocks.	T	F
2- The supply of a given product may be affected by the cost of production, indirect taxes, and weather conditions.	T	F
3- An equilibrium price is achieved when a business expands its product range.	T	F
4- A surplus occurs when the price decreases.	T	F
5- When a surplus occurs, it causes a movement to the right along the supply curve and a movement to the left along the demand curve.	T	F
6- Complementary products can be substituted for one another.	T	F
7- If businesses in a certain industry are offered subsidies, it is likely to result in a decrease in supply.	T	F
8- A rise in supply shifts the supply curve to the right.	T	F

9- A fall in demand shifts the supply curve to the left.	T	F
10- A rise in demand shifts the demand curve to the right.	T	F
11- Price elasticity of demand (PED) shows how demand for a product changes when the price increases or decreases.	T	F
12- A PED of less than -1 means the product is price elastic.	T	F
13- If the price of a price elastic product is raised significantly, the demand will only slightly fall.	T	F
14- Necessity products are likely to be price inelastic while non-essential products are more likely to be price elastic.	T	F
15- Products with loyal customers are more likely to be price elastic.	T	F
16- If the product is price elastic, an increase in price will lead to a reduction in revenue.	T	F
17- Income elasticity of demand (YED) tells us how demand for a product changes when consumer income changes.	T	F
18- To calculate YED, divide the % change in demand by the % change in income.	T	F
19- Inferior goods have a positive YED.	T	F
20- Necessities usually have a YED between 0 and 1, e.g. 0.4.	T	F