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A Level Economics Topic Questions / Paper 2

Topic: 1.6 Classification of goods and services

Question-1

With the help of diagrams, explain how economists use the concept of income elasticity of demand to distinguish between inferior goods and necessity goods. [8]

Question-2

Explain what economists mean when they describe a good as a 'demerit good' and, using a diagram, show why such goods will be overconsumed in a free market. [8]

Question-3

Outline the functions of the factor enterprise in a modern economy, and explain how enterprise responds to a rise in the demand for a good. [8]

Question-4

Use examples to illustrate the difference between private goods and public goods, and explain why only private goods will be supplied in a free market economy. [8]

Question-5

Explain the meaning of 'price elasticity of demand' and, using examples, outline the factors that would cause the demand for a good to be relatively price-elastic. [8]