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A Level Economics Topic Questions / Paper 2

Topic: 1.6 Classification of goods and services

Question-1

Use diagrams to explain the difference between merit goods and demerit goods. [8]

Question-2

Explain why the value of income elasticity of demand for a good can be positive, negative or zero, while the value of its price elasticity of demand is most likely to be negative. [8]

Question-3

Explain, using the concept of income elasticity of demand, how a fall in incomes affects the demand for inferior goods and necessary goods. [8]

Question-4

With the help of a supply and demand diagram, explain how the introduction of an indirect tax on a good would affect the surplus enjoyed by the consumers of that good. [8]

Question-5

Distinguish between the concepts of market equilibrium and disequilibrium and show what happens in a free market for a good when disequilibrium exists. [8]