**The City School**

**North Nazimabad Boys Campus**

**Grade 11 Economics Assignment**

**Topic The Allocation of Resources**

**Date: 18-06-2016**

**Subject: Economics**

**Teacher: Arshi Aqueel**

**1 Despite more cars being sold, world demand for bicycles is increasing. It has been estimated that the world price elasticity of demand for bicycles is –0.18 but this does vary between countries. The indirect taxes imposed on bicycles also differ between countries.**

**(a) Define ‘demand’. [2]**

**(b) Explain threelikely causes of an increase in demand for bicycles. [6]**

**(c) Analyse why the demand for a product may be more price elastic in one country than in**

**another country. [6]**

**(d) Discuss whether a government should impose indirect taxes only on products with inelastic**

**demand. [6**

**2 Many governments seek to discourage people from smoking cigarettes, whilst encouraging them to eat more fruit, including bananas and apples. The government’s ability to influence people’s consumption is determined, in part, by the price elasticity of supply and the price elasticity of demand of the products, and by changes in market conditions.**

**(a) Define ‘price elasticity of supply’. [2]**

**(b) Explain threereasons why the supply of bananas may decrease. [6]**

**(c) Analyse what effect a rise in the price of apples, which are a substitute for bananas, will have on the market for bananas. [4]**

**(d) Discuss whether a government should increase the tax on cigarettes. [8]**