**The City School**

**North Nazimabad Boys Campus**

**9 Assignment**

**1** Demand for luxury products, including expensive perfume, increased significantly in China from

2007 to 2012. The average revenue from selling these products also rose. Many luxury products

have elastic demand. A high proportion of the luxury products sold in China are currently imported.

Some firms are now considering producing in China rather than exporting to China.

**(a)** Define ‘average revenue’. [2]

**(b)** Explain **two** reasons why luxury products often have elastic demand. [4]

**(c)** Analyse how a perfume producer could make the supply of its products more price elastic.[6]

**(d)** Discuss whether a firm would make more profit from producing in a foreign market rather than

exporting to that market.

2An increasing number of people in both market and mixed economies are becoming overweight.

In 2013 the Dubai Government offered residents a gram of gold for every kilogram of weight lost

over a period of 30 days. Such a policy measure was designed to reduce the external costs arising

from overeating, including the eating of too much chocolate. To reduce market failure, governments

give subsidies to both consumers and producers.

**(a)** Define ‘market economy’. [2]

**(b)** Explain **two** external costs that could arise from people overeating. [4]

**(c)** Analyse **three** reasons why the demand for chocolate may rise in the future. [6]

**(d)** Discuss whether a government subsidy to producers will reduce market failure. [8]

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