***AQA AS Economics exam practice answers***

2 Price determination in a competitive market

**1** **Correct answer: C** a rise in consumers’ real incomes [1]

**2** **Correct answer: C** technological improvements in milk production [1]

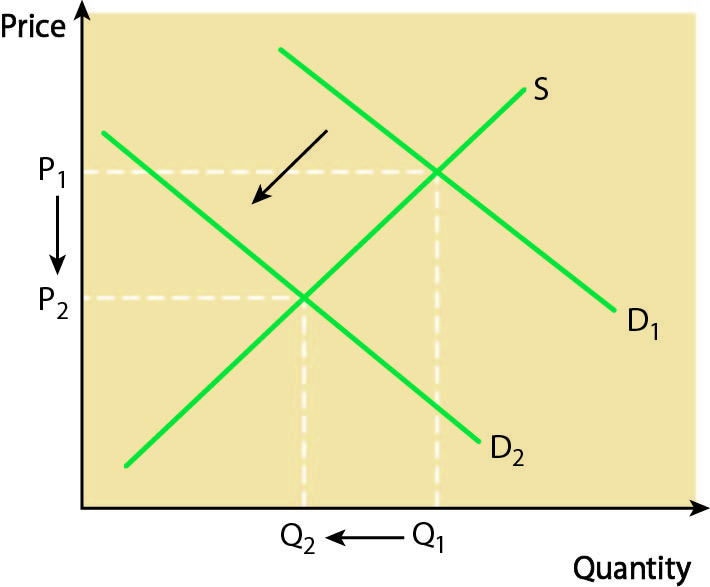
**3** **Correct answer: B** a reduction in supply of oil from Middle Eastern countries [1]

**4** **Correct answer: D** negative [1]

**5** **Correct answer: D** Holidays in the UK are an inferior good while foreign holidays are a normal good. [1]

**6** **Correct answer: B** a decrease in the price of a good with price elastic demand [1]

**7** A correct diagram, as below, earns 4 marks:



Relevant points for analysis include:

* definition of complementary goods
* explanation of the interrelationship between the two markets — petrol and cars
* explanation of how excess supply is created at price P1 and how disequilibrium is resolved by the market mechanism [8]