

Price determination

18 questions · 118 marks

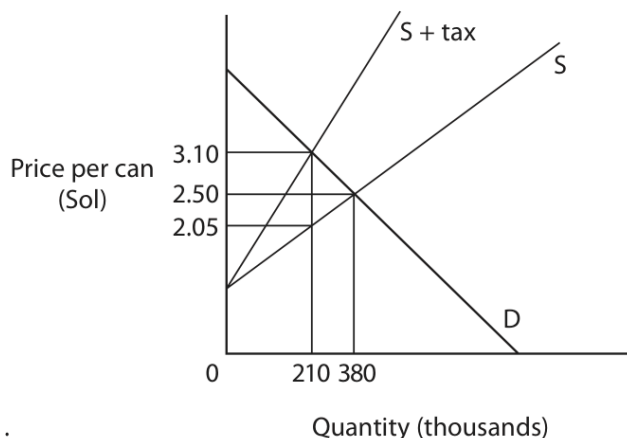
Answer all questions. The marks available are shown against each part. Every question is taken unaltered from a past paper; the source is noted beneath it. In Section A, choose the best answer and write its letter in the box.

Section A · Multiple choice

6 questions · 6 marks

1. The diagram shows the market for a sugar-sweetened drink in Peru. In 2018 Peru's Government imposed an ad valorem tax on sugar-sweetened drinks.

1 mark



Which **one** of the following shows the value of the consumer incidence of the tax?

- ☐ A Sol 94 500
- ☐ B Sol 126 000
- ☐ C Sol 220 500
- ☐ D Sol 228 000

Answer

2. In South Africa demand for electric blankets increased by 250% in 2022.

1 mark

Which of the following combinations is the most likely impact on the market for electric blankets?

	Consumer surplus	Price
☐ A	Decrease	Decrease
☐ B	Decrease	Increase
☐ C	Increase	Increase
☐ D	Increase	Decrease

Answer

— Pearson Edexcel WEC11/01 Economics · June 2023 Unit 1, Question 4

3. Which **one** of the following is a function of the price mechanism?

1 mark

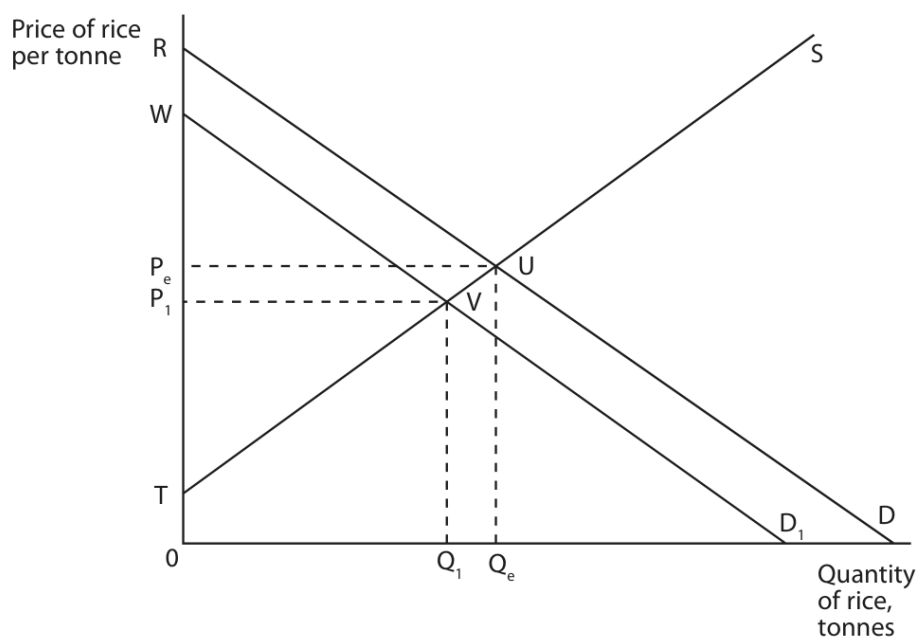
- ☐ A An increase in the price of hand sanitisers, caused by an increase in demand, will ration them to those who are most able to pay
- ☐ B A decrease in the price of carrots, caused by excess supply, provides farmers with the incentive to increase supply
- ☐ C A decrease in the price of tinned meat is a signal to producers that demand for it is increasing
- ☐ D An increase in the price of petrol is a signal to the government to impose a maximum price

Answer

— Pearson Edexcel WEC11/01 Economics · January 2022 Unit 1, Question 1

4. In 2019 countries in Africa reduced the quantity of rice they imported. The diagram shows the impact of this on the world market for rice.

1 mark



Which **one** of the following can be deduced from the diagram?

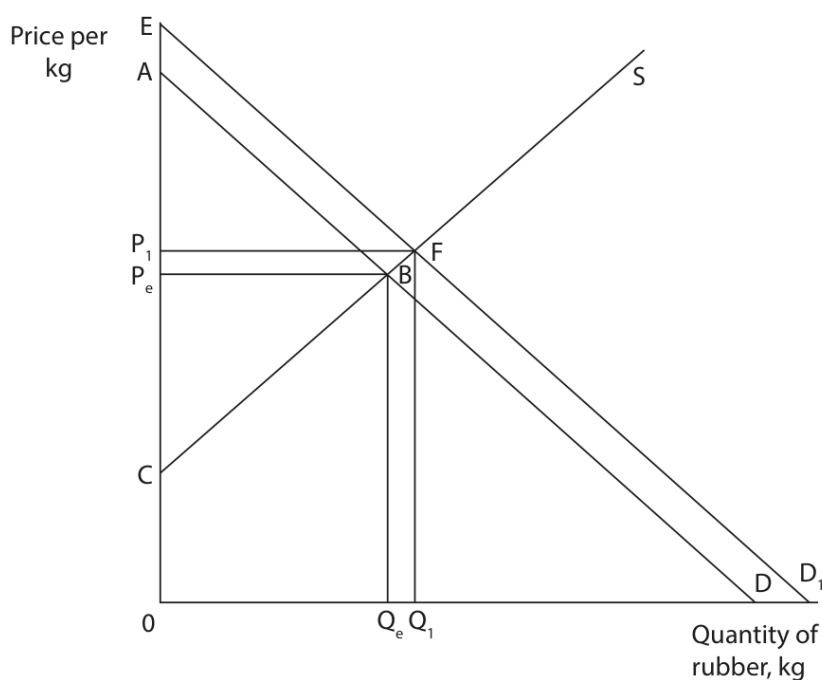
- ☒ A Government spending rises by VUQ_eQ_1
- ☒ B Total revenue of rice producers falls by VUQ_eQ_1
- ☒ C Consumer surplus rises by P_eUVP_1
- ☒ D Producer surplus falls by P_eUVP_1

Answer

Pearson Edexcel WEC11/01 Economics · June 2020 Unit 1, Question 5

5. The diagram shows the market for rubber following an increase in demand for its use in the manufacture of tyres.

1 mark



Which **one** of the following can be deduced from the diagram?

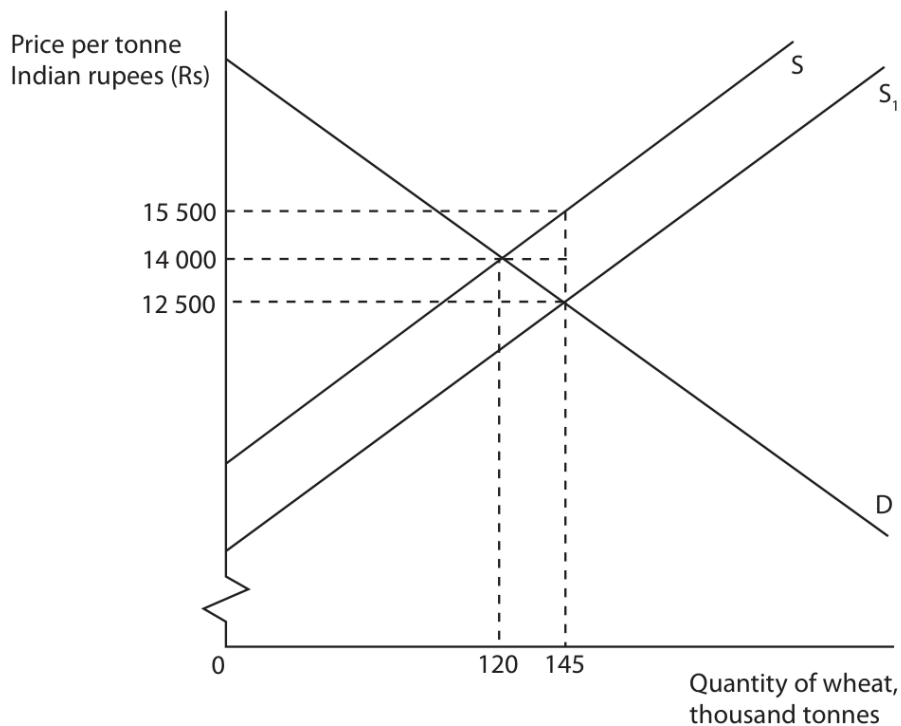
- ☒ **A** P_1EF is the new producer surplus
- ☒ **B** P_1FC is the new consumer surplus
- ☒ **C** P_eP_1FB is the change in consumer surplus
- ☒ **D** P_eP_1FB is the change in producer surplus

Answer

— Pearson Edexcel WEC11/01 Economics · January 2026 Unit 1, Question 5

6. The diagram shows the market for wheat in India. It illustrates the introduction of a subsidy for the production of wheat by the Indian Government.

1 mark



Which one of the following is the producer incidence of the subsidy?

- ☒ **A** Rs 217 500 000
- ☒ **B** Rs 435 000 000
- ☒ **C** Rs 1 812 500 000
- ☒ **D** Rs 2 247 500 000

Answer

— Pearson Edexcel WEC11/01 Economics · June 2020 Unit 1, Question 6

Section B · Short answer

8 questions · 32 marks

7. In Laos consumers' real incomes decreased by 12.32% during 2021. The income elasticity of demand for a domestic holiday was +1.36. 4 marks

Draw a diagram to illustrate the likely impact of this change in consumers' real incomes on the equilibrium price and quantity for domestic holidays in Laos.



— Pearson Edexcel WEC11/01 Economics · January 2023 Unit 1, Question 7

8. Between August 2020 and August 2021 the world price of nectarines decreased from \$1.83 to \$1.42 per kg. This was caused by a good harvest in Spain, the world's largest producer. 4 marks

Explain the likely impact of this change in price on consumer surplus in the market for nectarines.

Illustrate your answer with an appropriate diagram.



— Pearson Edexcel WEC11/01 Economics · October 2022 Unit 1, Question 11

Illustrate your answer with a supply and demand diagram.

10. Between 2019 and 2022 the number of international visitors to Czechia decreased from 6.8 million to 4.5 million. 4 marks

Illustrate your answer with a supply and demand diagram.

[illegible]

Page 6

Illustrate your answer with a diagram.

12. In 2019 there were 15.7 million visitors to Legoland's eight theme parks globally. In 2021 this number decreased to 9.4 million. 4 marks

Illustrate your answer with an appropriate diagram.

(4)

[illegible]

Page 7

[illegible]

14. In 2024 global production of cotton increased by 1.2 million bales to 117.3 million bales. Over the same period the global price of cotton decreased from \$78.44 to \$65.35. 4 marks

[illegible]

Page 8

Section C · Essays

4 questions · 80 marks

Answer on lined paper. Draw every diagram asked for, fully labelled.

- 15.** In 2018 the Government of Uganda introduced an indirect tax on mobile internet usage. The aim was to raise tax revenue. Consumers had to pay a tax of 200 shillings per day to use services including Facebook, Twitter and Instagram. In the six months that followed the introduction of the tax, mobile internet usage decreased from 47.4% to 35% of the population. 20 marks

Evaluate the likely microeconomic effects of the introduction of this indirect tax.

— Pearson Edexcel WEC11/01 Economics · October 2021 Unit 1, Question 13

- 16.** In Zimbabwe fast food consumption has increased resulting in an increase in obesity, diabetes, heart disease and cancers. 20 marks

In January 2025 the Government of Zimbabwe introduced an indirect tax at a rate of 0.5% on fast food including pizzas, burgers, shawarma and tacos.

Evaluate the benefits of introducing this indirect tax on fast food.

Illustrate your answer with an appropriate diagram.

— Pearson Edexcel WEC11/01 Economics · January 2026 Unit 1, Question 14

- 17.** The Governments of the UK, Spain and Italy have introduced a tax on plastic packaging. This is charged on any plastic packaging with more than 30% that cannot be recycled. 20 marks

The table shows the amount of tax charged in each country.

Country	Tax per tonne
UK	\$250
Spain	\$465
Italy	\$465

Evaluate the microeconomic benefits of introducing a tax on plastic packaging.

Illustrate your answer with a supply and demand diagram.

— Pearson Edexcel WEC11/01 Economics · June 2025 Unit 1, Question 14

- 18.** In the Netherlands 68% of the price consumers pay for a litre of petrol is indirect tax. In neighbouring Germany indirect tax represents just 59%. 20 marks

Evaluate the impact of these indirect taxes charged on petrol.

— Pearson Edexcel WEC11/01 Economics · June 2020 Unit 1, Question 13