

Cambridge AS & A Level · Economics 9708 · Notes

Demand and supply curves

AS

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What you need to know

By the end of this topic you should be able to:

1. **Explain effective demand:** the amount of a good consumers are willing **and able** to buy at each price, so a want backed by the money to pay for it.
2. **Tell individual demand and supply from market demand and supply:** one consumer's or one firm's curve, and the market curve made by adding them all up at each price.
3. **Explain the determinants of demand:** the price of the good, and the other things that affect how much people want to buy (income, the prices of related goods, tastes, population and more).
4. **Explain the determinants of supply:** the price of the good, and the other things that affect how much firms want to sell (costs, technology, the number of firms, taxes and subsidies, the weather and more).
5. **Explain what shifts the demand curve:** a change in any determinant of demand other than the good's own price.
6. **Explain what shifts the supply curve:** a change in any determinant of supply other than the good's own price.
7. **Distinguish a shift of a curve from a movement along it:** a change in the good's own price moves you along the curve; a change in anything else shifts the whole curve.

Understand it

Demand and effective demand

Demand is the quantity of a good that consumers are willing and able to buy at each possible price, in a given time period. Economists only count **effective demand**: wanting a car is not demand for cars unless you can also pay for one. A want with no money behind it has no effect on the market, so it is left out.

A **demand schedule** lists the quantity demanded at each price; drawn on a graph it gives the **demand curve**. The axes are always **price** (vertical) and **quantity** (horizontal), and the curve is labelled **D**.

Why the demand curve slopes down

The **law of demand**: when the price of a good falls, the quantity demanded rises, **other things being equal** (*ceteris paribus*). So price and quantity demanded have an **inverse** relationship, and the curve slopes down from left to right. Three reasons:

- **Diminishing marginal utility.** Each extra unit of a good gives a consumer less extra satisfaction than the one before. They will only buy more if the price falls to match that lower extra satisfaction.
- **The substitution effect.** When the price of a good falls, it becomes cheaper **compared with other goods**, so consumers switch towards it.
- **The income effect.** A lower price means the same money income buys more: **real income** rises. For a **normal good** (one people buy more of when their income rises), this raises the quantity demanded too. For a normal good both effects push the same way, so a price fall is **certain** to raise the quantity demanded. For an **inferior good** (one people buy less of as income rises, such as the cheapest brand of noodles) the income effect works against the substitution effect.

A few goods can seem to break the law: goods whose high price is taken as a **sign of quality** or status, and goods bought because people expect the price to keep rising. More often, when price and quantity both rise at once, **other things did not stay equal**: something else (such as income) shifted the demand curve at the same time.

Why the supply curve slopes up

Supply is the quantity firms are willing and able to sell at each possible price, in a given time period. The supply curve, **S**, slopes **up**: a higher price means a larger quantity supplied. Three reasons:

- **Profit.** A higher price makes each unit more profitable, so firms want to produce more, and they switch resources from other products towards this one.
- **Rising costs of extra output.** Producing more usually costs more per extra unit (overtime pay, less suitable land and machines, more expensive materials), so firms will only produce more if the price covers that higher cost.
- **New producers.** At a higher price, firms with higher costs can cover them and start supplying.

Individual and market curves

An **individual demand curve** is one consumer's; the **market demand curve** is the demand of **all** consumers of the good. To get it, add up the quantities every consumer demands **at each price**. On a diagram this is adding the curves **horizontally** (along the quantity axis), never vertically: prices stay the same, quantities are added.

Price	Ana	Ben	Chen	Market demand
\$2	10	8	12	30
\$4	6	5	7	18

Price	Ana	Ben	Chen	Market demand
\$6	3	2	4	9

In the same way, **market supply** is the sum of every firm's quantity supplied at each price. When you add them, the only thing allowed to vary is the **price of the product**; everything else (costs, technology, the number of firms) is held constant.

Some changes affect only the market curve. **Population growth** or more tourists adds consumers, so market demand rises, but no single person's demand curve moves. Likewise, **more firms** entering the industry increases market supply without changing any one firm's supply curve.

Determinants of demand

Determinant	Effect on demand
The good's own price	A movement along the curve, never a shift
Income	Normal good: income rises → demand increases. Inferior good: income rises → demand decreases , and income falls (a recession, rising unemployment, higher income tax) → demand increases
Price of a substitute (a good used instead, such as tea for coffee)	Substitute's price rises → demand for this good increases
Price of a complement (a good used with it, such as fuel for cars)	Complement's price rises → demand for this good decreases
Tastes, fashion and preferences	Successful advertising, good reviews, health news → demand increases; bad reviews or a health scare → decreases
Population (size and age structure)	More consumers → market demand increases
Expectations	Expected price rise → people buy now, so demand increases today
Credit and interest rates	Cheaper borrowing → demand for goods bought on credit (houses, cars) increases
Government policy, seasons, weather	For example a campaign to promote a good, or hot weather for ice cream

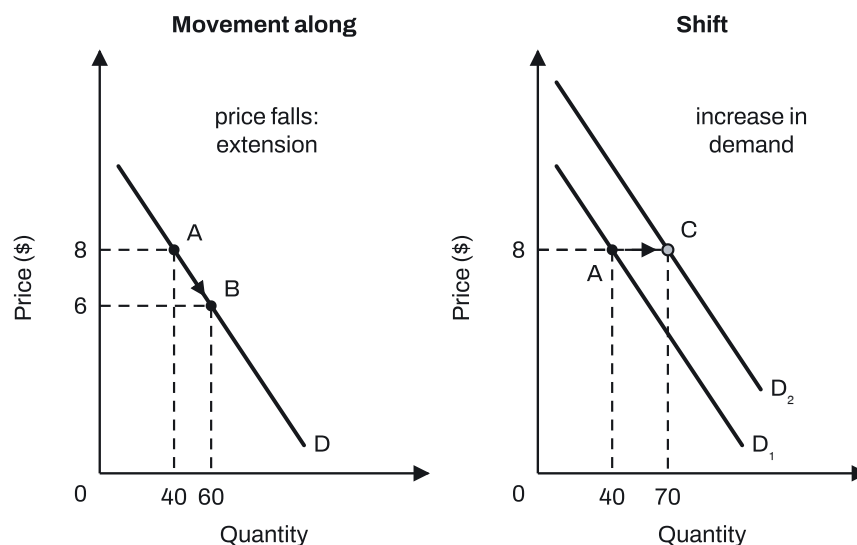
How strongly a related good matters depends on **how close** the relationship is: the price of a very close substitute has a big effect; a loose one hardly any. (This is measured by cross elasticity of demand, a later topic: positive for substitutes, negative for complements.)

A change in the price of a complement can come from its **supply** side. If the cost of travelling to the cinema rises, fewer people go to the cinema: demand for films falls even though nothing about films has changed.

Determinants of supply

Determinant	Effect on supply
The good's own price	A movement along the curve, never a shift
Costs of production: wages, raw materials, energy, rent, transport	Costs fall → supply increases; costs rise → supply decreases
Productivity of workers and machines	Rises → each unit costs less → supply increases
Technology	Better methods → supply increases
Number of firms (the size of the industry)	More firms → market supply increases
Indirect taxes (on the good)	A new or higher tax → supply decreases
Subsidies (paid to producers)	A new or larger subsidy → supply increases
Regulations (safety, hygiene, fishing quotas)	Stricter, costlier rules → supply decreases
Weather and natural events (mainly farming, fishing)	Good harvest → supply increases; drought, floods, disease → decreases
Prices of other goods the firm could make	Another crop becomes more profitable → farmers switch to it → supply of this crop decreases
Joint supply	Two goods made together (beef and leather): more demand for beef → more cattle → supply of leather increases
Producers' expectations	Expected higher prices later → firms may hold stock back now

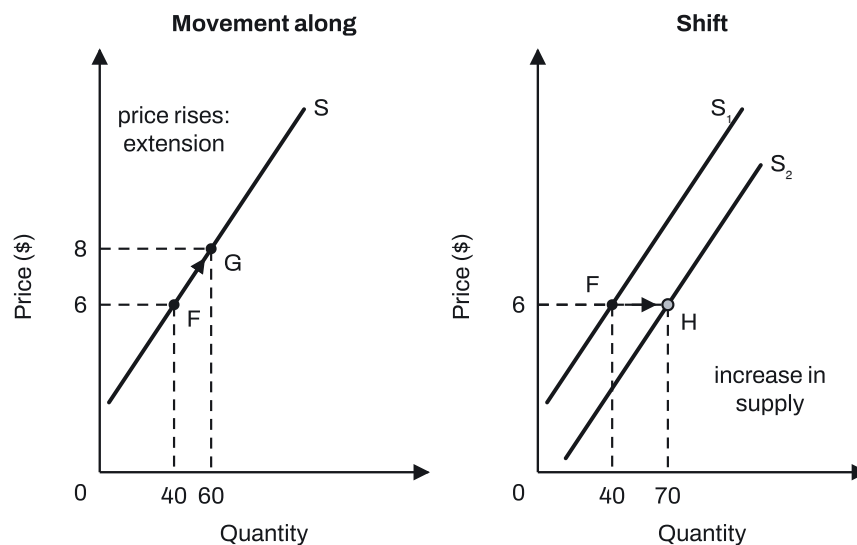
Shift or movement



This is the idea the exam tests most.

- **A change in the good's own price** moves you **along** the existing curve. On the left, the price falls from \$8 to \$6 and quantity demanded rises from 40 to 60 (A to B). This is called an **extension** of demand (a price rise gives a **contraction**). Words to use: a change in **quantity demanded**.
- **A change in any other determinant** moves the **whole curve**. On the right, incomes rise (for a normal good) and D_1 shifts to D_2 : at the same price of \$8, consumers now want 70 instead of 40 (A to C). Words to use: an **increase in demand** (shift right) or a **decrease in demand** (shift left).

Why the difference? Each curve is drawn **ceteris paribus**: it holds every other determinant fixed and shows only how quantity responds to the good's **own** price. The own price is already on the axis, so changing it just picks a different point. When one of the "other things" changes, the old curve no longer describes behaviour and a new curve is needed.



The same holds for supply. A rise in price from \$6 to \$8 is an **extension of supply** along S (F to G). A fall in costs is an **increase in supply**: S_1 shifts right to S_2 , and at \$6 firms now offer 70 instead of 40 (F to H).

Two ways of describing the same supply shift, both used in questions:

- **Right = down.** An increase in supply means more is offered at each price, **or** each quantity is offered at a lower price. On the diagram, to supply 40 units firms needed \$6 on S_1 but only \$3 on S_2 . So a "downward shift" of a supply curve is an **increase** in supply, and an "upward shift" is a decrease.
- **Left = up.** A decrease in supply (higher wages, a new tax, a bad harvest) moves S to the left, which is also upwards.

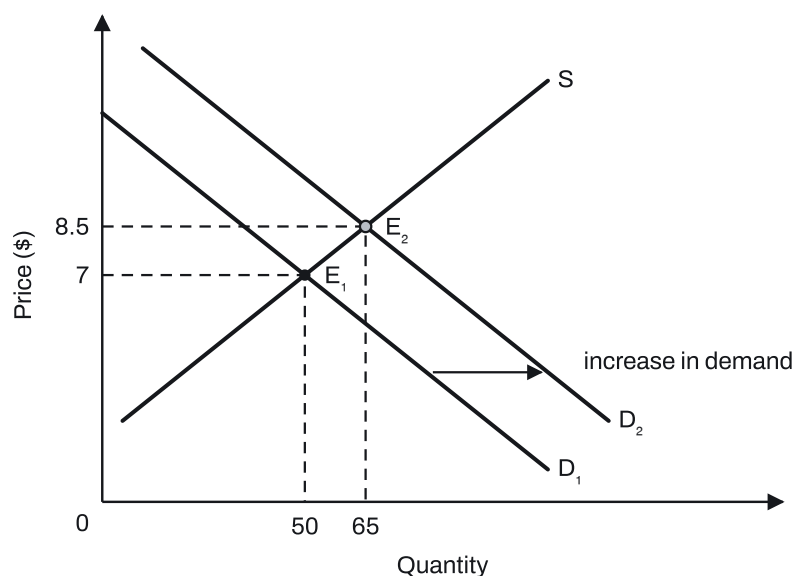
A new curve need not be parallel to the old one. If a question shows a curve that **pivots**, read it the same way: where it is now to the left, less is demanded (or supplied) at that price.

Two changes at once

When two determinants change together, deal with each separately and then combine them. For a normal good, a **fall in incomes** shifts demand left while a **rise in the price of a substitute** shifts it right: the two can cancel, leaving the curve where it was. A rise in income together with a rise in the good's own price is different: the income change shifts the curve, the price change is only a movement along it.

Why the curves matter

Where demand and supply cross is the **equilibrium** price and quantity (the next topic). Shifting either curve changes that equilibrium, which is how the exam uses this topic in essays and case studies.



Here an increase in demand (D_1 to D_2) raises the equilibrium price from \$7 to \$8.50 and the quantity from 50 to 65. Notice the two ideas together: **demand** shifts, and there is a **movement along the supply curve** (an extension of supply) from E_1 to E_2 . The supply curve itself does not move.

Key facts and formulas

This topic has no formula list in the exam. "Learn it" means you must remember it.

Fact	Status
Effective demand: willingness and ability to pay	Learn it
Axes: price (vertical), quantity (horizontal); curves labelled D and S	Learn it
Law of demand: price falls → quantity demanded rises, ceteris paribus	Learn it

Fact	Status
Market demand (or supply) = sum of individual quantities at each price (horizontal summation)	Learn it
Own-price change: movement along (extension or contraction); any other determinant: shift	Learn it
Demand shifts right: income rises (normal good), income falls (inferior good), substitute's price rises, complement's price falls, tastes favour the good, population rises	Learn it
Supply shifts right: costs fall, productivity or technology improves, more firms, subsidy, tax cut, good weather, joint product in greater demand	Learn it
An increase in supply is a shift right, which is the same as a shift down	Learn it
Percentage change = $\frac{\text{new} - \text{old}}{\text{old}} \times 100$	Learn it

How to do it

In the questions we have tagged for this topic (55 questions, 2021–2025), we counted only the parts about this topic: one part in each question, except November 2022 Paper 22 Q1 (parts (a) and (b)) and June 2021 Paper 21 Q1 (parts (b) and (c)), so 57 parts.

Question type	Questions
Multiple choice (concept)	46
Multiple choice (calculation)	1
Essay part (a), 8 marks	5
Data response, 1–4 marks (parts)	5

The 12-mark essay parts in these questions are about elasticity, so they belong to the elasticity topics.

1. Multiple choice (concept) (46 questions)

1. **Name the curve** the question is about: demand or supply, individual or market, and for which good.
2. **Classify each option**: is it the good's **own price** (a movement), a **demand** factor, or a **supply** factor?
3. **Then find the direction**: left or right, using the tables above. Sketch the curve in the margin if a diagram is described.

Variations you will meet:

- **What shifts the demand curve, and which way** (14 questions). Read the good carefully: for an **inferior** good, anything that cuts income (a recession, rising unemployment, a rise in **income tax**) shifts demand **right**. For related goods: a substitute's price rises → right; a complement's price rises (including the cost of

using it, such as the cost of running a car or travelling to the venue) → left. A rise in graduate earnings raises the demand for university places; bad reviews lower the demand for a hotel, so the new equilibrium has a lower price and quantity. Advertising that works shifts **demand** right, not supply.

- **What shifts the supply curve, and which way** (10 questions). Look for a **cost**: wages up → left; materials cheaper → right; productivity up → right; a **tax** → left; removing a subsidy → left; good weather or a bigger catch → right; quotas that limit production → left; more firms (a change in the size of the industry) → right. A rise in demand for a **jointly supplied** product raises supply of the other. Options that are really about **demand** (consumer income, fuel for car owners, discounts to buyers) or the good's own price do **not** shift supply.
- **Shift or movement; what is held constant** (10 questions). The good's **own price** is never one of the "other things" held equal, and it never shifts its own curve. When price and quantity demanded both rise, the most likely explanation is that other things did **not** stay equal. A factor that affects demand but not supply (buyers' incomes) versus one that affects supply but not demand (rents paid by the venue): sort each option. "A shift **and** a movement along the supply curve": a cost change shifts it; a change in **demand** for the good moves producers along it. Two changes that shift demand in opposite directions can leave the curve where it was. "Certain to raise quantity demanded": a price **fall** for a **normal** good.
- **What the curves are and why they slope** (12 questions). Axes: quantity (horizontal), price (vertical). Effective demand is demand backed by the ability to pay; tastes change willingness, not ability, to pay. Demand slopes down because of diminishing marginal utility; supply slopes up because the cost of extra output rises. A market curve is a **horizontal** sum, and the only thing not held constant when adding is the product's price. A supply curve shows supply at different prices with technology unchanged. Population growth moves market demand, not an individual's curve; a change in the price of a substitute moves an individual's curve directly. A price rise with rising quantity demanded can happen when price is taken as a sign of quality.

2. Multiple choice (calculation) (1 question)

Market quantities split into firms' (or consumers') shares.

1. **Work out each firm's quantity** at each price: share × market quantity.
2. **Compare** its quantity at the two prices. A normal supply curve has a **higher** quantity at the higher price; the same quantity means a vertical supply curve; a lower one means it slopes down.

For example, market supply is 80 units at \$10 and 120 units at \$15. A firm whose share falls from 25% to 20% supplies $0.25 \times 80 = 20$ then $0.20 \times 120 = 24$: still upward sloping. A firm whose share falls from 50% to 30% supplies 40 then 36: its quantity **falls** as the price rises. A falling **share** alone doesn't prove anything; always work out the quantities.

The same method adds individual demands into market demand (as in the table in "Understand it").

3. Essay part (a), 8 marks (5 questions)

Point-marked: up to **3** marks for knowledge and understanding (AO1), **3** for analysis (AO2) and **2** for evaluation (AO3, one of them kept for a justified conclusion).

Answer plan, about one side of writing:

1. **An accurate diagram** (AO1): axes labelled **price** and **quantity**, curves labelled D and S, the shift or movement shown with an arrow and labelled $D_1 \rightarrow D_2$, and, when both curves are drawn, the equilibrium price and quantity marked (P_1, Q_1 to P_2, Q_2 or E_1 to E_2).
2. **Define and distinguish** (AO1): a movement is caused by a change in the good's own price; a shift by a change in a non-price factor.
3. **Analyse** (AO2): at least two, better three, **developed** determinants, each a chain: the change $\rightarrow$ why buyers or sellers respond $\rightarrow$ the direction of the shift $\rightarrow$ the effect on price and quantity. Up to 2 marks for one well-developed point.
4. **The other side** (AO3, 1 mark): "it depends on..." (how close the substitute is, the share of costs that are wages, the size of the tax or subsidy, the time period).
5. **Justified conclusion** (AO3, 1 mark): answer the exact question ("the most significant at the present time is... because...").

Variations you will meet:

- **Determinants of supply, which is most significant or how far a policy shifts supply** (2 questions). Explain three cost-side reasons for a rightward shift: lower wages, higher productivity, cheaper raw materials, cheaper distribution, better technology, each linked to lower cost per unit so firms offer more at each price. For an **agricultural product**, name physical factors (climate, soil, water), infrastructure (irrigation, storage), land ownership and the prices of other crops. For **government microeconomic policy**, analyse one policy targeted at the market: a **subsidy** to producers lowers their costs and shifts supply right; removing an **indirect tax** does the same; **regulations** may shift it left. Then the extent: the size of the subsidy, whether producers use it as intended, whether other rules hold supply back, how responsive the market is. Conclude with the one that matters most now (for example, energy and fertiliser costs or climate change for farming), with a reason.
- **Determinants of demand, which is most significant** (1 question). Use economic determinants, not general opinion: income (normal good; a recession cuts it), the price and availability of **substitutes** (petrol cars for electric cars) and **complements** (electricity, charging points), tastes and attitudes (environmental concern). Develop at least two, then judge which is most significant at present and why.
- **Movement along versus shift, and the prices of related goods** (1 question). Two diagrams (or one) show a movement caused by a price change and a shift caused by a non-price factor. Then analyse **both** relationships: a rise in the price of a **complement** reduces demand for the good (they are used together); a rise in the price of a **substitute** increases it (consumers switch). Evaluate: the size of the effect depends on how close the relationship is (the size of the cross elasticity), so conclude which is likely to matter more. Income, tastes and fashion earn nothing here: the question is about prices of other goods.
- **Causes of an increase in demand, and the effect on price in the short and long run** (1 question). Draw D and S with D shifting right and E_1 to E_2 . Explain two or three causes. Evaluate: in the short run supply is hard to increase, so price rises a lot; in the long run firms expand and new firms enter, so supply responds more and the price rise is smaller.

4. Data response, 1–4 marks (5 parts)

Parts that ask for "one demand factor and one supply factor", or "one change in a factor of demand", that explain a price change in the case study.

1. **Identify** the factor (1 mark), **from the data** when the question says "with reference to" or the change happened in a stated period. Standard lists (income, tastes) earn nothing if the case gives specific reasons such as a health report, panic buying or a drought.
2. **Develop** it (1 mark): say which curve shifts and which way, and **why the price changes**: demand now exceeds supply at the old price (a shortage), so the price is bid up; or supply falls so less is available at each price.
3. **For a supply effect of a cost or regulation** (a 2-mark part): higher costs (hygiene rules, paperwork) shift supply left, so less is offered at each price.
4. **For "prices rose despite more production"**: demand must have increased **by more** than supply, leaving a shortage at the old price. Say both halves.

Worked examples

Example 1

Tea and coffee are substitutes. Sugar is a complement to tea. What would cause the demand curve for tea to shift to the left?

- **A** a fall in the price of coffee
- **B** a fall in the price of sugar
- **C** a fall in the price of tea
- **D** a rise in consumers' incomes, if tea is a normal good

[1]

Coffee is a substitute, so cheaper coffee draws buyers away from tea: demand for tea falls at every price. The answer is **A**. (1)

B makes tea cheaper to use, so demand shifts **right**. C is the good's own price: a movement along the curve, not a shift. D shifts demand for a normal good to the right.

Example 2

The table shows three consumers' demand for a good. They are the only buyers in the market.

Price	Ana	Ben	Chen
\$2	10	8	12
\$4	6	5	7

Price	Ana	Ben	Chen
\$6	3	2	4

By how much does the quantity demanded in the market change when the price rises from \$2 to \$4?

- **A** a fall of 6
- **B** a fall of 12
- **C** a fall of 18
- **D** a fall of 30

[1]

Add the quantities at each price (a horizontal sum): at \$2, $10 + 8 + 12 = 30$; at \$4, $6 + 5 + 7 = 18$. The change is $30 - 18 = 12$, a fall. The answer is **B**. (1)

C is the new market quantity and D the old one. This is a **contraction** of demand, a movement along the market demand curve.

Example 3

Extract: In Country X, bread and rice are the two main staple foods. Floods in 2025 wiped out much of the rice crop, and the price of rice doubled. In January the government also placed a new tax of 10 cents on every loaf sold. Over the year, the average price of a loaf rose from \$1.60 to \$1.84.

(a) By what percentage did the average price of a loaf rise over the year? [1]

(b) Using the extract, explain how one change on the demand side and one change on the supply side of the bread market could account for the higher price of bread. [4]

(a) $\frac{1.84 - 1.60}{1.60} \times 100 = 15\%$ increase. (1)

(b) *Demand side:* rice is a substitute for bread, and its price doubled (1). Households switched from rice to bread, so the demand curve for bread shifted to the right; at the old price more bread was demanded than supplied, and the shortage pushed the price up (1).

Supply side: the new 10-cent tax on each loaf raised bakers' costs (1). The supply curve of bread shifted to the left (upwards), so less bread was offered at every price and the price rose (1).

Both reasons are taken from the extract: general answers such as "incomes rose" would not score here. Notice that the floods are a supply shock in the **rice** market but a **demand** factor in the bread market.

Example 4

With the help of a diagram, explain the difference between a movement along a supply curve and a shift in the supply curve, and consider whether a rise in wages will always cause a large shift in the supply curve of a product. [8]

Diagram: two panels with price and quantity on the axes. The first shows a movement along S from F to G as the price rises from P_1 to P_2 ; the second shows S_1 shifting left to S_2 , with the quantity supplied at the same price falling. Curves and arrows labelled. (AO1, 1)

A supply curve shows how much firms are willing and able to sell at each price, with everything else held constant. A change in the product's own price causes a movement along the curve: a higher price makes production more profitable, so firms extend supply (AO1, 1). A change in any other factor, such as costs of production, technology or taxes, shifts the whole curve (AO1, 1).

A rise in wages increases the cost of producing each unit (AO2, 1). At every price the firm's profit margin is now smaller, so it is willing to supply less, and some higher-cost firms may leave the market: supply decreases and the curve shifts to the left (AO2, 1). With the same demand, less is offered at each price, so the market price rises and the quantity sold falls (AO2, 1).

However, the size of the shift depends on how much of the firm's costs are wages. In a labour-intensive industry such as hairdressing a wage rise has a large effect, but in a capital-intensive industry such as oil refining it is small; and if higher wages bring higher productivity, cost per unit may hardly change (AO3, 1).

So a rise in wages will always shift supply to the left unless productivity rises to match it, but the shift is large only where wages are a big share of costs and cannot easily be replaced by machines (AO3, 1, justified conclusion).

Total: $3 + 3 + 2 = 8$.

Common mistakes

- **Shifting the demand curve for a change in the good's own price.** Examiners report that many candidates choose options where the good's own price "shifts" demand. The own price only ever moves you along the curve.
- **Mixing up the sides of the market.** An increase in productivity shifts **supply** right; it is not a movement up the supply curve. A price rise that comes from higher demand is a movement along supply, not a shift of it. Ask: who changed their plans, buyers or sellers?
- **Getting inferior goods backwards.** For an inferior good a **fall** in income (or a rise in income tax) **increases** demand.
- **Missing the joint-supply link.** A higher demand for one good can raise the **supply** of another only when they are produced together.
- **Diagram errors.** Axes left unlabelled or labelled wrongly, D and S the wrong way round, the curve shifted the wrong way (a tax or cost rise shifted right as if for a subsidy), or no arrow showing the change. Each costs the diagram mark.
- **Generalised answers instead of economics.** On topical questions (electric cars, food prices), many answers gave opinions about the environment. Use the named determinants: income, related goods' prices, tastes and attitudes, costs.
- **Ignoring the data.** In case studies, standard lists of demand and supply factors earn nothing when the question asks why the price changed **in that period**. Take the reasons from the text.

- **Not finishing the chain.** Naming a factor earns the first mark; the second needs how it changes the price (a shortage, less available at each price). For "prices rose despite higher production", say that demand rose by **more** than supply.
- **Answering a prepared question.** A diagram of a new minimum price or of consumer surplus when the question asked about something else wastes time. Answer the question that is set.

How to get the marks

- **Command words.** *Identify*: name it, one mark. *Explain*: say why, with "because... so...". *Consider, assess, discuss*: explain, then weigh it up and reach a judgement.
- **Diagrams are marked for accuracy.** Price on the vertical axis, quantity on the horizontal, curves labelled D and S (D_1 , D_2 after a shift), arrows showing the direction, equilibrium price and quantity marked when both curves are drawn. Then **use** the diagram in words; a diagram left unexplained earns only the diagram mark.
- **Part (a) (8 marks) is point-marked, 3 + 3 + 2.** Three knowledge marks (diagram, the distinction or the determinants named), three analysis marks (developed chains, up to 2 for one point), two evaluation marks (a "depends on" point and a justified conclusion). A one-sided answer loses the evaluation marks.
- **Use the words exactly.** "Change in quantity demanded" or "extension/contraction" for a movement; "increase/decrease in demand (or supply)" for a shift. "Shift to the right" and "increase" mean the same thing.
- **Evaluation on this topic** usually turns on: how close a substitute or complement is, how big the change is, the share of costs involved, the time period, and what else is changing at the same time.
- **Data response parts** reward a factor from the case and one step of explanation each. Keep it short; don't write an essay.
- **Multiple choice:** one mark each, no penalty for guessing. Read for "not", "most likely", "certain", and whether the good is normal or inferior.

Quick check

1. Which change would shift the supply curve of wheat to the right?
 - **A** a rise in the price of wheat
 - **B** a fall in the price of fertiliser
 - **C** a rise in consumers' incomes
 - **D** a new tax on wheat sales
2. Bus travel is an inferior good. Say whether each change causes a movement along or a shift of the demand curve for bus travel, and which way: (a) bus fares rise; (b) the price of petrol rises; (c) consumers' incomes fall; (d) a new tax on bus companies raises fares.
3. In a town, 100 identical consumers each buy 4 ice creams a week at \$3. The population grows by 20%, and each consumer's demand stays the same. (a) What is the market quantity demanded at \$3 now? (b) Has any individual's demand curve shifted?

4. Explain two determinants of the supply of rice. [4]

Answers

1. **B.** Cheaper fertiliser lowers the cost of growing wheat, so more is supplied at every price. A is a movement along the curve; C affects demand; D shifts supply to the left. (1)
2. (a) A movement along the curve: a contraction of demand. (b) A shift to the right: car travel, the substitute, becomes dearer to use (petrol is its complement). (c) A shift to the right: an inferior good is bought more when income falls. (d) A movement along the demand curve (a contraction): the tax shifts the **supply** of bus travel left, which raises the fare, and passengers respond to that higher fare.
3. (a) $100 \times 1.2 = 120$ consumers, so $120 \times 4 = 480$ ice creams a week (up from $100 \times 4 = 400$). (b) No: each person still buys 4 at \$3. Only the **market** demand curve shifts right, because there are more buyers.
4. The weather (1): a drought or flood reduces the harvest, so less rice is supplied at each price and the supply curve shifts left (1). The cost of inputs such as fertiliser, fuel and labour (1): if they rise, each tonne costs more to grow, so farmers supply less at each price (1). Other valid answers: irrigation and storage, the price of other crops farmers could grow instead, subsidies to farmers, new higher-yield seeds. Any two developed points reach 4 marks.

Past questions to try

- 9708/12/O/N/24 Q8: which change shifts demand for an inferior good to the right.
- 9708/11/M/J/24 Q7: firms' market shares and the shape of their supply curves.
- 9708/12/M/J/22 Q11: two changes that leave the demand curve where it was.
- 9708/21/O/N/24 Q2: part (a), the determinants of supply for an agricultural product.