IGCSE ECONOMICS · 1.1 THE MARKET SYSTEM · CHAPTER 6 · PAPER 1

Factors That May Shift the Supply Curve

Topic question sheet L06 | **Total: 33 marks** | **Time: 35 minutes** | **Student Book pp. 34–39**

Instructions: answer **all** questions. Write your answers on lined paper. The marks for each question are shown in brackets: use them as a guide to how much to write.

Calculators may be used. Show your working. Draw diagrams in pencil and label them fully. The mark scheme starts on a new page: do not look at it until you have finished.

Section A: Multiple choice

One mark each. Choose **one** answer: A, B, C or D.

1 Which of the following will shift a supply curve to the left? **(1)**

A A decrease in indirect taxes
B Higher production costs
C New technology in production
D A government subsidy

2 A bumper wheat harvest caused by good weather will: **(1)**

A shift the supply curve for wheat to the right
B reduce the quantity demanded of bread
C increase the price of wheat
D shift the demand curve for wheat to the left

3 VAT is an example of: **(1)**

A a subsidy
B a direct tax
C an indirect tax
D a cost of labour

4 Which of the following is a drawback of a subsidy to producers? **(1)**

A Supply shifts right
B Prices may fall
C Firms may lose the incentive to be efficient
D Output rises

Section B: Short answers

Define, state, calculate, draw and explain. Show your working for calculations.

5 Define the term **subsidy**. **(1)**

6 What is meant by an **indirect tax**? **(2)**

7 Before the drought a farm produced 50 tonnes of coffee. Calculate its output after the 20% fall in yields. You are advised to show your working. **(2)**

8 Draw a diagram to show the effect of the drought on the supply of coffee. **(3)**

9 Explain how new technology affects the supply of a product. **(3)**

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Section C: Data response

Read the extract, then answer the questions. Use evidence from the extract in every answer.

Extract: Coffee farmers in Vietnam

Vietnam is one of the world's largest coffee producers. In 2024 a long drought in the Central Highlands cut yields by 20%. At the same time, the cost of fertiliser rose by 30%.

The government announced a subsidy for farmers who install water-saving drip irrigation, which can increase yields by up to 40%. Some farmers are also switching to new, drought-resistant coffee plants.

Fictional case based on real conditions, written for this sheet.

10 With reference to the extract, analyse the effect of the irrigation subsidy on the supply of coffee in Vietnam. **(6)**

11 With reference to the extract, evaluate whether the supply of Vietnamese coffee is likely to rise over the next few years. **(12)**

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Mark scheme: Factors That May Shift the Supply Curve

How to mark: Multiple choice, Define, State: 1 mark. **What is meant by** (2): two separate parts to the definition. **Calculate**: working and answer (with units). **Draw** (3): one mark per correct labelled feature. **Explain** (3): 1 for a point, 2 for developing it in context. **Analyse** (6): knowledge 2, application 2, analysis 2. **Assess** (9) and **Evaluate** (12) are marked by levels: choose the level that best fits the whole answer. Indicative content is a guide: credit other valid points.

Section A

1 *Which of the following will shift a supply curve to the left? (1 mark)*

Answer: B (Higher production costs). Higher costs reduce profit at every price.

2 *A bumper wheat harvest caused by good weather will: (1 mark)*

Answer: A (shift the supply curve for wheat to the right). Good growing conditions increase supply.

3 *VAT is an example of: (1 mark)*

Answer: C (an indirect tax). VAT is a tax on spending.

4 *Which of the following is a drawback of a subsidy to producers? (1 mark)*

Answer: C (Firms may lose the incentive to be efficient). The other options are effects, not drawbacks.

Section B

5 *Define the term subsidy. (1 mark)*

Money paid by a government to producers to lower costs/prices and encourage production (1).

6 *What is meant by an indirect tax? (2 marks)*

A tax on spending (1), e.g. VAT or duty on petrol (1).

7 *Before the drought a farm produced 50 tonnes of coffee. Calculate its output after the 20% fall in yields. You are advised to show your working. (2 marks)*

Working: 50 × 0.8 (or 50 − 10) (1).

Answer: 40 tonnes (1).

8 *Draw a diagram to show the effect of the drought on the supply of coffee. (3 marks)*

Diagram: axes labelled price and quantity (1); original supply S1 (1); S2 to the left with an arrow (1).

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9 *Explain how new technology affects the supply of a product. (3 marks)*

Point: new technology lowers costs of production (1).

Development: production becomes more profitable at each price (1), so supply shifts right, e.g. drip irrigation increasing yields (1).

Section C

10 *With reference to the extract, analyse the effect of the irrigation subsidy on the supply of coffee in Vietnam. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): a subsidy lowers costs; supply shifts right (diagram).

Application (2): subsidy for drip irrigation; yields up to 40% higher.

Analysis (2): farmers install irrigation, producing more from the same land at lower cost per tonne, so more coffee is supplied at every price.

Knowledge 2 · Application 2 · Analysis 2.

11 *With reference to the extract, evaluate whether the supply of Vietnamese coffee is likely to rise over the next few years. (12 marks · levels)*

Rise: irrigation subsidy (yields up to 40%); drought-resistant plants; supply shifts right.

Fall: drought cut yields by 20%; fertiliser costs up 30%; climate change may bring more droughts.

Judgement: short run supply likely lower; in the long run subsidy and new plants may outweigh higher costs, depending on take-up and weather.

Levels: L1 1–3 · L2 4–6 · L3 7–9 · L4 10–12 (balanced, well-developed arguments using the data throughout, and a justified conclusion that answers the question).

Original practice questions written in the style of the Pearson Edexcel International GCSE Economics (4EC1) papers. This is not an official paper. Unless a source is given, the firms, countries and figures are fictional and made up for practice.

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