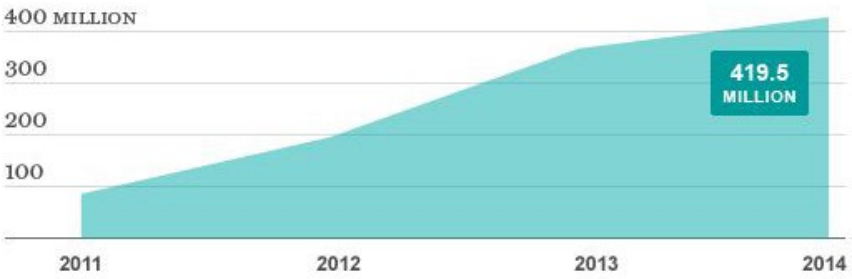
Name:		Class:	5C

DUNMAN HIGH SCHOOL
Year 5 Weighted Assessment 1 [Mock Paper B]
Economics (Higher 1) 8843

Question 1

Figure 1: China Smart Phone Market (annual number of units sold)



Extract 1: Growing domination of China's phone makers

Low-priced, high-tech mobile phones have become objects of desire for many of the 1.36 billion people in China. In 2012, China passed the U.S. as the world's largest smartphone market.

Samsung and Apple, the global leaders in mobile phones, have made no secret of their desire to command the world's largest smartphone market. But as demand exploded in China, local companies sprang up to meet it. In 2011 just two of the top ten smartphone makers in China were Chinese: Huawei and Lenovo. Today six of the top ten smartphone brands worldwide are Chinese, even though many of them sell only in China—proof of the enormousness of that market relative to the rest of the world.

Extract 2: China's dramatic shift to a digital economy

Chinese consumers have adapted to the digital world with lightning speed. The penetration rate has reached nearly 50 per cent, with some 667 million internet users as of June 2015. These consumers are highly connected, mobile, digitally savvy and globally minded. The country is now the world's largest e-commerce market.

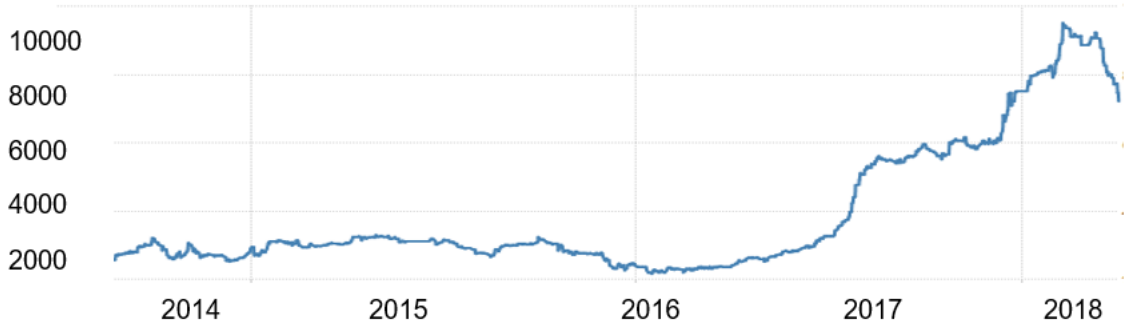
Private-sector companies have also embraced the digital age. Companies like Alibaba, Tencent, Baidu and travel websites Ctrip and Qunar have given rise to thriving social networks and transformed the way Chinese buy movie tickets and book hotels, exchange shopping tips and compare prices. They have also enabled Chinese shoppers to spend — be they in Beijing, Shanghai or rural Inner Mongolia.

(a) Describe the trend in the number of smart phones sold in the China market. [2]

(b) Using a supply and demand diagram, account the general trend observed in (a). [6]

Question 2

Figure 2: Global price of cobalt (US$ per million tonnes)



Extract 3: Technology is fuelling the use of cobalt

Cobalt is a hard, shiny and greyish metal which has many strategic and irreplaceable industrial uses as a result of its unique properties. Currently used in numerous industrial chemical processes, close to half of the world's cobalt supplied today is used in lithium-ion batteries, putting it at the heart of the drive for alternative and renewable energy systems. There has not been a good substitute to make lithium-ion batteries without the mineral.

Mining companies are planning new cobalt operations that may balance supply and demand in the near term, but if electric vehicles continue to gain market share, any stabilisation may be short-lived. Each new electric vehicle, which runs on lithium-ion battery, uses about 10 kg of cobalt. The use of cobalt is expected to accelerate further as electric vehicles approach price competitiveness with internal combustion engine vehicles.

(a) Using examples from above, explain what is meant by **derived demand**. [2]

(b) (i) Define price elasticity of supply (PES). [1]

(ii) Explain what Extract 3 suggests about the price elasticity of demand of cobalt. [2]

(c) (i) Describe the trend in the price of cobalt. [2]

(ii) Explain whether you expect this trend to persist in the future. [4]

(d) Explain how the development in the cobalt market would impact producer revenue. [3]

Acknowledgements:
Q1. *Adapted from VJC Prelim 2017. Sources: Fortune, 1 March, 2015, Business Spectator, 25 March 2016*
Q2. *Adapted from ACJC Prelim 2018. Sources: Trading Economics*, accessed 5 July 2018, *www.dartoncommodities.co.uk/ (accessed on 21 July 2018); CNBC, 16 April 2018*