

- 7 The curve in the diagram shows a relationship between the price and the quantity of a product. It has not been given a label.



What is an accurate description of the curve?

- A a perfectly elastic demand curve
 - B a perfectly inelastic supply curve
 - C a relatively elastic supply curve
 - D a unitary elastic demand curve
- 8 Which statement is true if the income elasticity of demand for a good has a value of -0.2 ?
- A When income rises less of the good is bought.
 - B When income rises more of the good is bought.
 - C When price falls more of the good is bought.
 - D When price rises less of the good is bought.

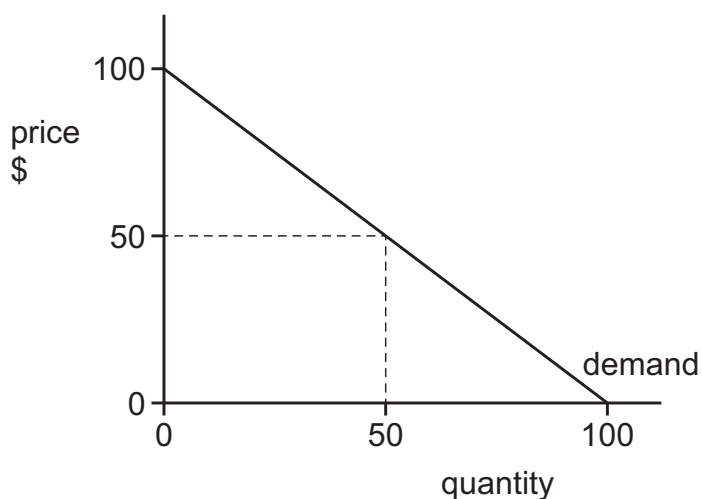
- 9 The table shows the price of a good and total expenditure on the good during specific periods when the market is in equilibrium.

period	price (\$)	total expenditure (\$)
1	12	96 000
2	5	40 000
3	8	64 000
4	10	80 000
5	4	32 000

What can be deduced from this data?

- A The good has constant opportunity cost.
- B The good is an inferior good.
- C The price elasticity of demand is equal to one.
- D The price elasticity of supply is equal to zero.

- 8 The diagram shows the demand curve for a product.



What is the price at which the price elasticity of demand is unit elastic?

- A \$0
- B \$50
- C \$100
- D every price along the demand curve

- 9 Public transport in an economy has an income elasticity of demand of -0.36 .

What does this mean about public transport?

- A It is an inferior good.
- B It is a necessity.
- C It is a normal good.
- D It has close substitutes.

- 6 A good is provided by the government. Consumption by one person does not affect the amount of the good available for others.

Which type of good must this be?

- A complementary good
- B merit good
- C private good
- D public good

- 9 Good X has an income elasticity of demand (YED) value of -0.8 . Its cross elasticity of demand (XED) with respect to good Y is also -0.8 .

What are the characteristics of good X?

- A a normal good that is a complement to good Y
- B a normal good that is a substitute for good Y
- C an inferior good that is a complement to good Y
- D an inferior good that is a substitute for good Y

- 2 (a) With the help of a formula, explain what is meant by price elasticity of demand for a product **and** consider the importance of time in determining whether demand for the product is likely to be relatively price elastic or relatively price inelastic. [8]
- (b) Assess whether knowledge of a product's income elasticity of demand is more important to a firm producing it than knowledge of its cross elasticity of demand. [12]

OR

- 7** A manufacturer increases the price of a product from \$4 in an attempt to increase total expenditure on the product.

The table shows the outcome of the policy.

price (\$)	total expenditure 000s (\$)
4	400
5	500
6	600

What is the price elasticity of demand for the product?

- A** perfectly elastic
- B** perfectly inelastic
- C** relatively elastic
- D** relatively inelastic