

- 7 When the price of butter increased by 10%, the quantity supplied of butter increased by 20%.

What is the price elasticity of supply (PES) of butter?

- A** -2.0 **B** -0.5 **C** +0.5 **D** +2.0

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- 8 The price elasticity of supply (PES) of coffee is calculated as +0.2 for the current year and +2.0 in the long run.

Why is the PES of coffee higher in the long run?

- A** Coffee plants take several years to grow.
B Consumers will not buy coffee at higher prices.
C There are many substitutes for coffee.
D There are no stocks of coffee.

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- 8 The supply of which good is likely to be most price elastic?

	the good is easily stored	time taken to produce the good
A	no	one day
B	no	one year
C	yes	one day
D	yes	one year

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- 7 A firm has the following supply schedule.

price (\$)	quantity supplied
5	10
10	20

What is the price elasticity of supply of the good as the price increases from \$5 to \$10?

- A** -0.5 **B** +0.5 **C** +1.0 **D** +2.0