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.

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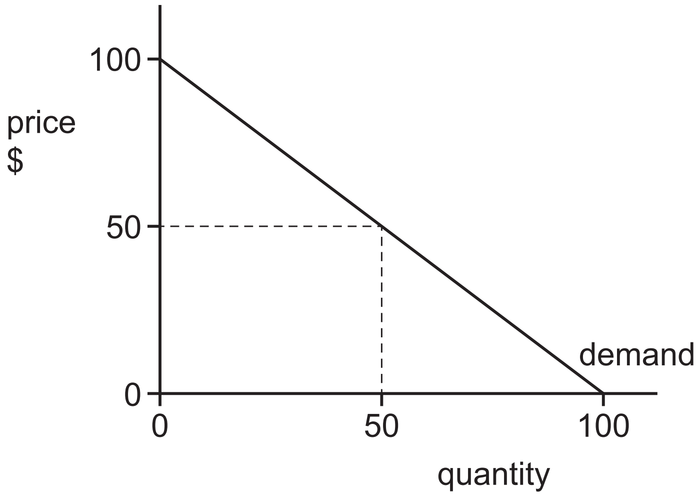
8 The diagram shows the demand curve for a product.



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.

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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

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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