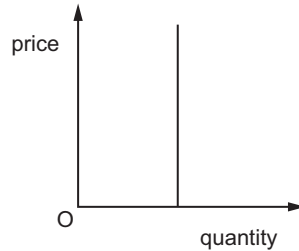


- 7 The curve in the diagram shows a relationship between the price and the quantity of a product. It has not been given a label.



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.

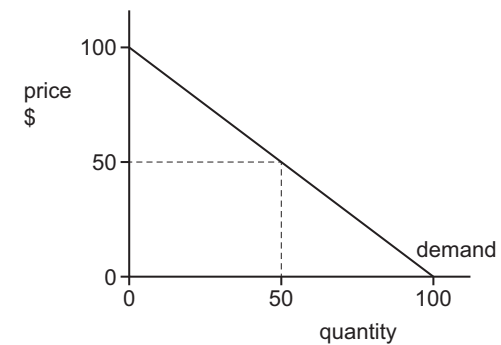
- 9 The table shows the price of a good and total expenditure on the good during specific periods when the market is in equilibrium.

| 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<br>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