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