

- 4 A farmer can produce both wheat and barley at constant costs of production. The opportunity cost of a kilo of wheat is 1.5 kilos of barley. The price of a kilo of wheat is twice that of barley.

What should the farmer do to maximise revenue?

- A** Concentrate on barley production.
- B** Concentrate on wheat production.
- C** Produce wheat and barley in the ratio 2 : 1.
- D** Produce wheat and barley in the ratio 3 : 2.
- 5 The table shows the price and quantity demanded of a successful film DVD in the first four weeks after its release.

week	price of DVD (\$)	quantity demanded per week
1	16	3000
2	14	5000
3	12	6500
4	10	7800

What can be concluded from the table?

- A** Sales do not reflect price changes.
- B** Sales increase less than proportionally to changes in price.
- C** Sales increase more than proportionally to changes in price.
- D** Sales reflect proportionately the changes in price.
- 6 The price of good X rises by 20%. As a result, the demand for a substitute good Y changes by 10%.

What is the cross elasticity of demand for good Y with respect to the price of good X?

- A** -2                      **B** -0.5                      **C** +0.5                      **D** +2
- 7 The price elasticity of demand for a product is inelastic.

How will a decrease in supply affect producer revenue and consumer surplus?

	producer revenue	consumer surplus
<b>A</b>	fall	fall
<b>B</b>	fall	rise
<b>C</b>	rise	fall
<b>D</b>	rise	rise