

- 6 A manufacturer progressively reduces the price of his product in an attempt to increase total revenue.

The table shows the outcome of this policy.

price (\$)	total revenue 000's (\$)
10	750
9	750
8	750

What is the price elasticity of demand for the product?

- A perfectly inelastic
B relatively inelastic
C perfectly elastic
D unitary
- 7 A product is an inferior good with no close substitutes. It is also a complement to product X.

Which product matches the description of this product?

product	price elasticity of demand	income elasticity of demand	cross elasticity of demand with respect to the price of X
A	-2	+2	+1
B	-2	+2	-1
C	-0.5	-2	+1
D	-0.5	-2	-1

- 8 Which of the following combinations is most likely to result in the demand for a product being highly price elastic?

	number of close substitutes	% of income spent on product
A	large	large
B	large	small
C	small	large
D	small	small