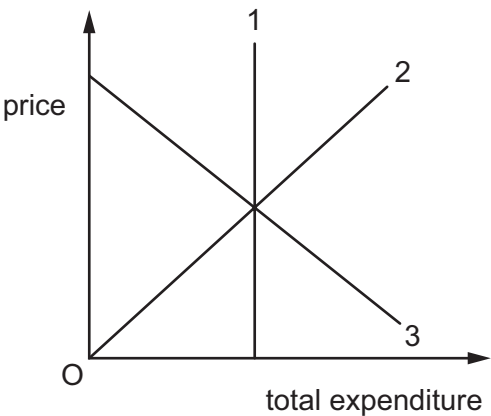


- 7 The diagram shows the relationship between total expenditure and price for three products, 1, 2 and 3.



Which curves represent the products with price elastic and unitary price elastic demand?

	elastic	unitary
<b>A</b>	1	2
<b>B</b>	2	3
<b>C</b>	3	1
<b>D</b>	3	2

- 8 A firm has a perfectly elastic supply curve at the market price of \$10.

Which statement about the firm is correct?

- A** At any price above \$10 quantity supplied is zero.
- B** At any price below \$10 quantity supplied is infinite.
- C** At price \$10 the firm will supply any quantity.
- D** At price \$10 the firm will break even.

- 9 The supply function for a good can be written as  $Q = 2P + 10$ , where  $Q$  is the quantity supplied in kilos and  $P$  is the price per kilo in dollars.

The price rises from \$10 to \$15 per kilo.

The value of price elasticity of supply for this price increase lies in a range from

- A**  $\frac{1}{6}$  to  $\frac{1}{4}$ .
- B**  $\frac{3}{8}$  to  $\frac{1}{2}$ .
- C**  $\frac{2}{3}$  to  $\frac{3}{4}$ .
- D**  $1\frac{1}{4}$  to  $1\frac{1}{2}$ .