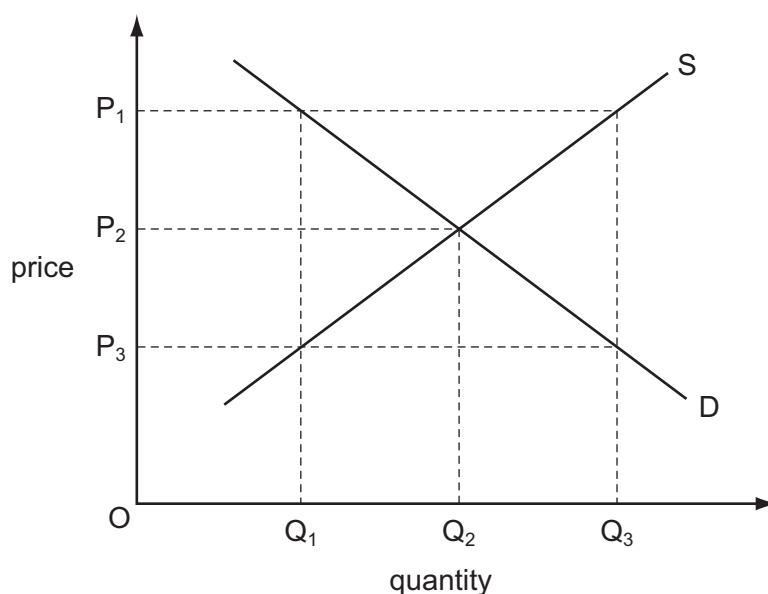


- 7 In a free market in disequilibrium, which combination of price and quantity will lead to a fall in price and a contraction in output to reach equilibrium?



- A** P_1Q_1 **B** P_1Q_3 **C** P_3Q_1 **D** P_3Q_3
- 8 A manufacturer has estimated that the price elasticity of supply of ice cream is +1.5.
- If the demand for ice cream rises and price increases by 10 %, how much more will the manufacturer supply to the market?
- A** 0.15% **B** 1.5% **C** 15% **D** 50%
- 9 The table shows demand and supply schedules for red peppers. The equilibrium price is initially 15 cents per kg.

price per kg cents	amount demanded kg (thousands)	amount supplied kg (thousands)
30	11	22
25	12	19
20	13	17
15	15	15
10	17	13
5	20	11

The government pays a subsidy of 10 cents per kg to producers.

What will be the new equilibrium price charged to consumers?

- A** 5 cents **B** 10 cents **C** 15 cents **D** 20 cents