

- 7 The price elasticity of demand for a firm's product is equal to one for all price changes.

What would be the result of this?

- A A percentage increase in price will cause demand to fall by a larger percentage.
  - B A percentage increase in price will cause demand to increase by the same percentage.
  - C Quantity demanded will always be the same whatever the price.
  - D The firm's revenue will always be the same whatever the price.
- 8 Which change will lower the price elasticity of supply of a product?
- A It becomes easier to store the product.
  - B Output of the product nears full capacity.
  - C The production process becomes less complex.
  - D Workers become more mobile.
- 9 The diagram shows the market for coffee. The initial equilibrium position is X. The price of tea, a substitute, falls and an indirect tax is imposed on coffee.

What will be the new equilibrium position?

