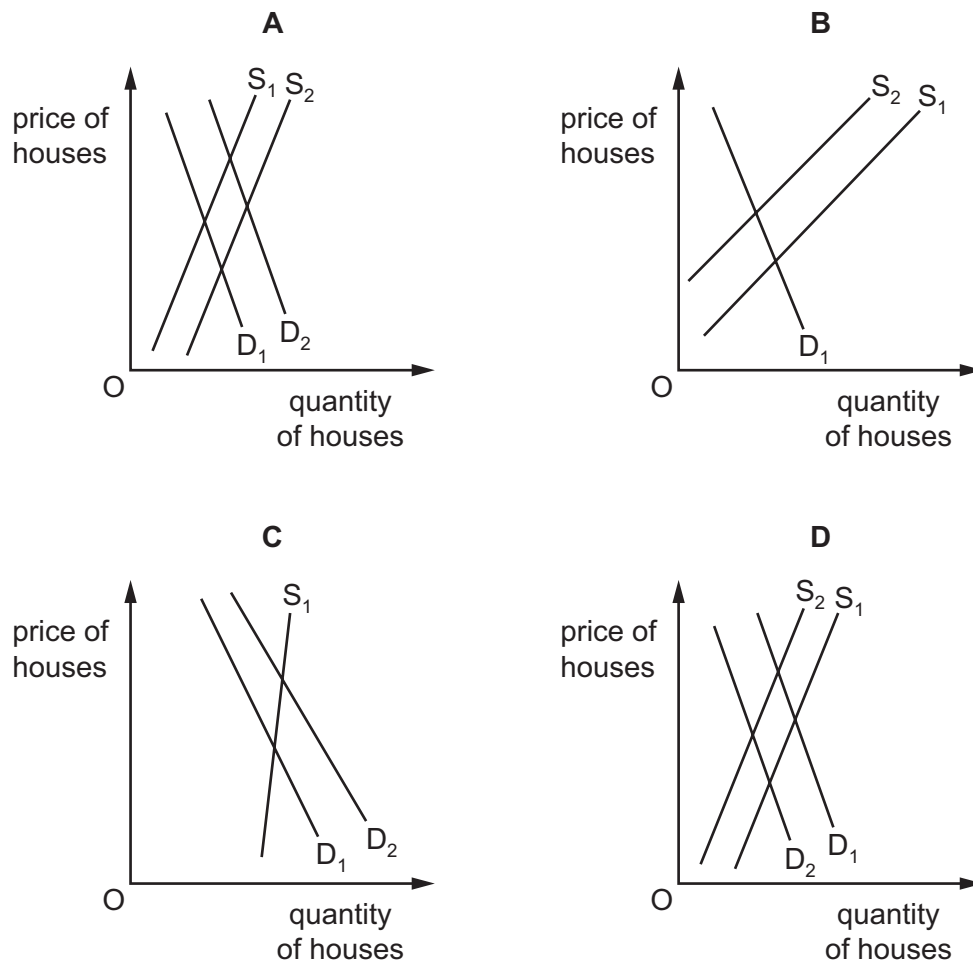


- 9 An economy is suffering from a housing shortage. The demand for housing continues to rise as real incomes increase and more construction firms enter the market to build more houses.

Which diagram represents this situation?



- 10 A good has a price elasticity of supply of 2.0. The current quantity supplied is 300 units per week at a market price of \$20 per unit. The firm raises the price to \$25 per unit.

What will the new quantity supplied be per week?

- A 150 units
 - B 375 units
 - C 400 units
 - D 450 units
- 11 What is a major function of the price mechanism?
- A providing incentive for government intervention to reduce income inequality
 - B removing shortages by creating incentives for market prices to fall
 - C removing surpluses by creating incentives for market prices to rise
 - D signalling changes in market conditions to producers and consumers