

- 8 A product is an inferior good with no close substitutes. It is also a complement to good X.

Which product matches the above description?

	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

- 9 The table shows the quantities demanded (Q) of goods X and Y corresponding to different prices (P) of the two goods.

	$P_X = \$8$	$P_X = \$10$
$P_Y = \$3$	$Q_X = 16$ $Q_Y = 20$	$Q_X = 12$ $Q_Y = 30$
$P_Y = \$4$	$Q_X = 20$ $Q_Y = 16$	$Q_X = 16$ $Q_Y = 24$

What is the range of the value of the cross-elasticity of demand for good Y with respect to the price of good X?

- A** 0.75 to 1.5 **B** 1.50 to 2.4 **C** 1.66 to 2.0 **D** 1.75 to 2.5
- 10 A firm estimates that the price elasticity of supply of its product is 0.4.
- Should the firm be concerned by this figure?
- A** No, as it implies that the firm will be able to raise revenue by raising price.
- B** No, as it suggests there are few substitutes for the product.
- C** Yes, as it means that demand for its product is increasing at a slow rate.
- D** Yes, as it shows that the firm is not able to adjust supply easily when demand changes.