

- 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?

| product | 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 A supply curve is represented by the equation, quantity supplied = $10 + 5P$, where P = the price of the product.

Which price rise would cause the quantity supplied to double?

- A** \$1 to \$2 **B** \$1 to \$3 **C** \$1 to \$4 **D** \$1 to \$5

- 10 Firm Z is one of a number of firms producing televisions.

What would cause firm Z's supply curve to shift to the left whilst the market supply curve for televisions shifts to the right?

- A** Firm Z benefits more from advances in technology than the other firms in the industry.
B Firm Z experiences a strike whilst more firms enter the industry.
C Firm Z passes on more of a tax to its customers than the other firms in the industry.
D Firm Z reduces its costs of raw materials whilst other firms in the industry lower their wage costs.

- 11 A country's government announces that the penalties imposed on those found guilty of supplying an illegal drug to others are to be increased but that possession of small quantities of the drug for an individual's own use will no longer be illegal.

What effect are these changes likely to have on the illegal market price of that drug and on the quantity consumed?

| | illegal market price | quantity consumed |
|----------|----------------------|-------------------|
| A | increase | decrease |
| B | increase | uncertain |
| C | uncertain | decrease |
| D | uncertain | uncertain |