

- 10 The price elasticity of demand for a product is -0.6 .

The supplier wants to clear all surplus stock of a product and reduces the price of a good by 50%.

What is the effect of this price change on the quantity purchased and the expenditure on the good?

	quantity demanded	expenditure
A	rises by 30%	falls
B	rises by 30%	rises
C	rises by 60%	falls
D	rises by 60%	rises

- 11 A firm is producing 100 units at a price of \$10. The price elasticity of supply is 0.5 and the price is raised to \$12.

What is the new level of output?

- A** 75 **B** 110 **C** 125 **D** 150
- 12 In a town, bus fares fall by 50% and this leads to an increase in bus use by 30%. The effect on car use is very low with only a 1% reduction.
- What is the value of the cross-elasticity of demand between car travel and bus travel?
- A** -0.60 **B** -0.02 **C** $+0.02$ **D** $+0.60$

- 13 In the diagram, the demand and supply curves for wheat in Australia are shown. Initial equilibrium is at X. The government imposes a sales tax on wheat at the same time as increasing the rate of income tax.

Which point could represent the new equilibrium?

