12 The table shows the market demand and market supply for kiwifruit over a year.

At a market price of $3 per kg there is disequilibrium in the market.

price of kiwifruit ($ per kg)	total market demand (thousand tonnes)	total market supply (thousand tonnes)
1	220	120
2	190	130
3	160	140
4	130	150
5	100	160

Which action would the government have to take to achieve market equilibrium at a price of $3 per kg?

A impose an indirect tax of $2 per kg on kiwifruit

B purchase the entire supply at $3 per kg and sell at $2 per kg

C set a maximum price of $3 per kg

D subsidise kiwifruit production by $2 per kg

13 The cross-elasticity of demand of good S with respect to the price of good P is +1.5.
The cross-elasticity of demand of good S with respect to the price of good R is –1.5.
The cross-elasticity of demand of good P with respect to the price of good R is –1.5.

What can be concluded about goods P, R and S?

A S and P are complements; P and R are substitutes.

B S and P are complements; R is an inferior good.

C S and P are substitutes; P and R are complements.

D S and P are substitutes; R is an inferior good.

14 A government wishes to impose a tax on a good so that the consumer pays most of the tax increase.

Which type of elasticity would best achieve this aim?

A high price elasticity of supply

B low price elasticity of supply

C unitary price elasticity of supply

D perfectly inelastic price elasticity of supply