

- 8 The demand for tablets increases, while the cost of producing them decreases.

What will be the effect on the price of tablets and on the quantity supplied?

	price	quantity
<b>A</b>	fall	uncertain
<b>B</b>	rise	increase
<b>C</b>	uncertain	increase
<b>D</b>	uncertain	uncertain

- 9 What is necessary to achieve the best allocation of resources using the price mechanism?

- A** Producers can maximise their collective interest.
- B** Consumers and producers must have perfect knowledge.
- C** The government must be able to apply maximum and minimum prices.
- D** The value of the price elasticity of supply must be greater than one.

- 10 Goods X, Y and Z all have downward-sloping demand curves and upward-sloping supply curves. Good X is in joint supply with good Y and in joint demand with good Z.

There is an increase in the demand for good X.

What will happen to the prices and sales of goods Y and Z?

	good Y		good Z	
	price	sales	price	sales
<b>A</b>	fall	fall	rise	rise
<b>B</b>	fall	rise	rise	rise
<b>C</b>	rise	fall	fall	rise
<b>D</b>	rise	rise	fall	fall

- 11 What is meant by *consumer surplus*?

- A** It is the amount by which the price consumers are willing to pay exceeds the market price.
- B** It is the difference between the price consumers are willing to pay and the price producers are willing to supply.
- C** It is the discount firms offer to the consumers for buying goods in bulk.
- D** It is the excess of quantity demanded of a product over its quantity supplied at a given price.