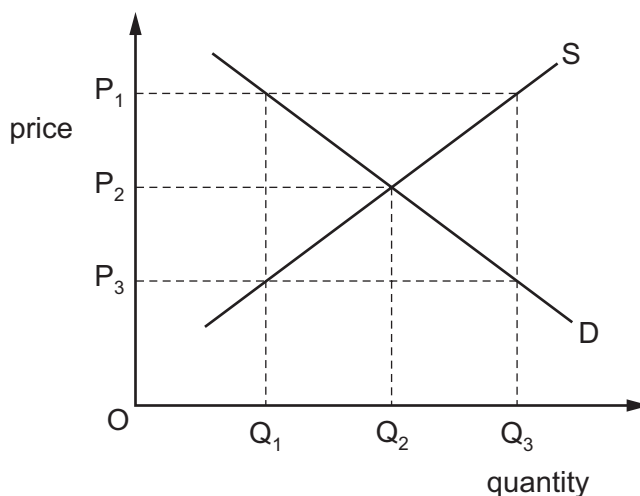


- 10 In a free market in disequilibrium, which combination of price and quantity will lead to a fall in price and a contraction in output to reach equilibrium?



- A** P_1Q_1 **B** P_1Q_3 **C** P_3Q_1 **D** P_3Q_3

- 11 A change in market conditions causes a reduction in supply. This results in a higher price for the product, which has a downward-sloping demand curve.

What must be the outcome of this higher price?

- A** a decrease in the demand for substitutes
B a decrease in the quantity demanded
C an increase in the factors employed in the industry
D an increase in producer's revenue

- 12 The soap industry consists of several firms. Firm X produces a small percentage of total output.

What is likely to cause the supply curve for firm X to shift to the right while the market supply curve shifts to the left?

- A** Firm X has improved technology while other firms have higher input costs.
B Firm X has to pay a large fine for polluting a river while other firms have a tax reduction.
C Firm X is involved in a strike while other firms enter the industry.
D Firm X's rent and interest charges increase while other firms receive a government subsidy.