

- 7 Why might a product have a high negative income elasticity of demand and a high price elasticity of demand?
- A It is an inferior good with close substitutes.
 - B It is an inferior good with weak complements.
 - C It is a normal good with close substitutes.
 - D It is a normal good with weak complements.

- 8 The supply function of good X is given by the equation

$$Q_S = 10P_X$$

where P_X is the price of the good and Q_S is the quantity supplied.

What can be deduced from the equation about the elasticity of supply of good X?

- A It is equal to 0.0.
 - B It is equal to 0.1.
 - C It is equal to 1.0.
 - D It is equal to 10.0.
- 9 There are three firms (X, Y and Z) supplying a market. The table shows their supply at four different prices.

price (\$)	firm X's supply	firm Y's supply	firm Z's supply
10	50	40	10
20	60	60	20
30	85	80	35
40	115	100	55

Which price change is required for market supply to halve?

- A \$20 to \$10 B \$30 to \$10 C \$30 to \$20 D \$40 to \$20