

- 8 What can be concluded about a product which has an income elasticity of demand (YED) of  $-1.5$  and a cross-elasticity of demand (XED) of  $+1.2$  with another product?

	YED figure	XED figure
<b>A</b>	The product is an inferior good.	The other product is a complement.
<b>B</b>	The product is an inferior good.	The other product is a substitute.
<b>C</b>	The product is a normal good.	The other product is a complement.
<b>D</b>	The product is a normal good.	The other product is a substitute.

- 9 A product has a low price elasticity of supply.

What might explain this?

- A** The product has a low opportunity cost.
  - B** The product has a perishable nature.
  - C** The product is classed as an inferior good.
  - D** The product is considered to be a necessity.
- 10 A firm is producing 100 units at price \$10. The price elasticity of supply is 0.5, and price is raised to \$12.

What is the new level of output?

- A** 75                      **B** 110                      **C** 125                      **D** 150