

7 The cross-elasticity of demand between two goods will be higher

- A the greater the difference in price between the two goods.
- B the greater the income elasticities of demand for the two goods.
- C the greater the price elasticities of demand for the two goods.
- D the more they are regarded as similar by consumers.

8 The price elasticity of supply of a good is +2. The quantity supplied originally was 200 units.

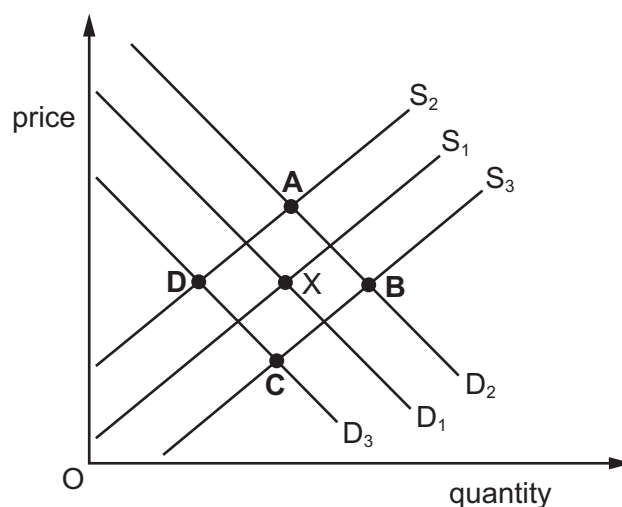
The price increases by 30%.

What will the quantity supplied be after the price increase?

- A 80 units B 140 units C 260 units D 320 units

9 The diagram shows S_1 and D_1 , the original supply and demand curves for fast food in an economy. Point X is the original equilibrium. Fast food is an inferior good.

What would be the new equilibrium position following a tax imposed on fast food and a fall in real income?



10 When will the price mechanism **not** function as a system for allocating goods?

- A when the government bans advertising
- B when the government maintains an effective maximum price
- C when there is a limited supply of the good
- D when there is a powerful company able to set the market price