6 What is correct about market supply?

A Market supply can increase only when all individual firms increase their output.

B Market supply is effective when consumers have sufficient income to buy the good.

C Market supply is the result of aggregating the supply of all individual firms.

D Market supply of an inferior good falls as price increases.

7 In which circumstances must the total expenditure by consumers on a good increase when its price increases?

A if demand for the good is income-elastic

B if demand for the good is price-inelastic

C if the price of a complementary good also increases

D if the price of substitute goods also increases

8 The price elasticity of demand for good X is 1. At a price of \$12, quantity demanded is 4000 units.

What will be the price when the quantity demanded is 20 000 units?

A \$2.00 **B** \$2.40 **C** \$12.00 **D** \$20.00

9 The cross-elasticity of demand of good S with respect to the price of good P is +1.5.

The cross-elasticity of demand of good S with respect to the price of good R is –1.5.

The cross-elasticity of demand of good P with respect to the price of good R is –1.5.

What can be concluded about goods P, R and S?

A S and P are complements; P and R are substitutes.

B S and P are complements; R is an inferior good.

C S and P are substitutes; P and R are complements.

D S and P are substitutes; R is an inferior good.

10 A manufacturer's ability to increase supply in the short run will be greater

A if labour is immobile.

B if spare capacity exists.

C if the product is perishable.

D if unemployment is low.