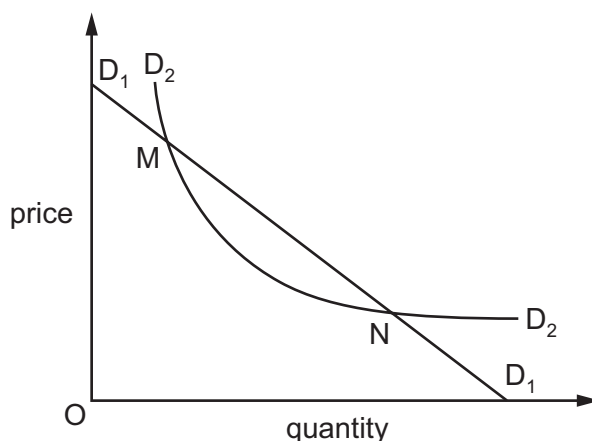


- 7 In the diagram  $D_1D_1$  is a straight line demand curve and  $D_2D_2$  is a rectangular hyperbola curve.



Which statement is correct?

- A  $D_2D_2$  is more elastic than  $D_1D_1$  at point M.
  - B  $D_2D_2$  is more elastic than  $D_1D_1$  at point N.
  - C The elasticity of demand increases on moving down both curves.
  - D The elasticity of demand is inelastic at point M on both curves.
- 8 The table shows changes in a consumer's expenditure on various goods when her income increases from \$20 000 to \$24 000.

good	income \$20 000: amount spent on good (\$)	income \$24 000: amount spent on good (\$)
W	100	96
X	100	100
Y	200	224
Z	200	248

Assuming all else remains unchanged, for which goods is the consumer's income elasticity of demand greater than 1.0?

- A W, Y and Z
- B W and Z only
- C W only
- D Z only