

- 4** Skilled actors deserve to receive a high income because they bring pleasure to people who attend the theatre.

What can be concluded about this statement?

- A** It is a normative statement because both services and goods are economic outputs.
- B** It is a normative statement because it expresses an opinion.
- C** It is a positive statement because actors do bring pleasure to people.
- D** It is a positive statement because greater skill results in higher pay.

- 5** What is the definition of a normal good?

- A** one where the demand for the good is both price and income elastic
- B** one where the income elasticity of demand for the good is greater than zero
- C** one where the proportion of income a consumer spends on the good increases with a rise in income
- D** one where the quantity demanded increases when the price of the good falls

- 6** A good has a unitary price elasticity of demand and at a price of \$20 a firm sells 40 000 units.

How many will the firm sell if it charges a price of \$5?

- A** 10 000 **B** 100 000 **C** 160 000 **D** 200 000

- 7** The cross elasticity of demand between two products, X and Y, is negative.

What would be the immediate effect of a rise in the price of product Y?

- A** Quantity demanded of product X will fall.
- B** Supply of product X will rise.
- C** The cross elasticity of demand will rise.
- D** The price of product X would rise.