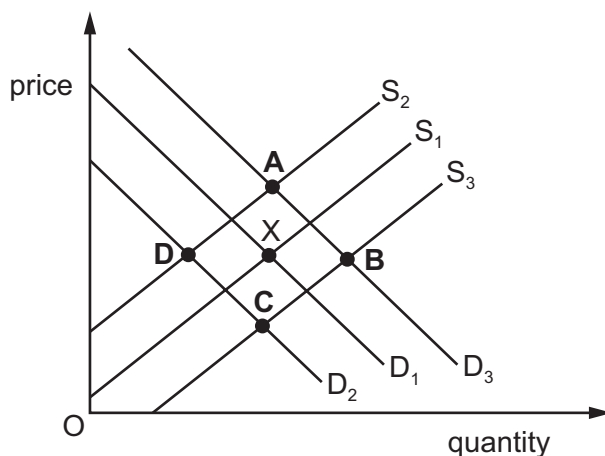


- 6 The diagram shows the demand and supply curves for cars in India. The initial equilibrium is at X.

What will be the new equilibrium if there is a subsidy given to Indian car manufacturers and there is also an increase in the price of train and bus journeys in India?



- 7 Demand curves are drawn *ceteris paribus*.

Which 'other things' are **not** required to remain the same when an individual's demand curve for ice cream is constructed?

- A the consumer's income
 - B the consumer's tastes and preferences
 - C the price of fresh fruit
 - D the price of ice cream
- 8 What is the measure of cross-elasticity of demand for good X in terms of good Y?
- A the change in the demand for X divided by the change in the price of Y
 - B the change in the price of X divided by the change in the demand for Y
 - C the percentage change in the demand for X divided by the percentage change in the price of Y
 - D the percentage change in the demand for Y divided by the percentage change in the price of X
- 9 When will the price mechanism be **least** likely to reallocate resources to meet a change in consumer preferences?
- A when the government removes all price controls
 - B when the new preferences are for more public goods
 - C when the supply of factors of production is limited
 - D when there is a redistribution of income