

10 What is necessary for consumer surplus to be zero?

- A** Demand is perfectly elastic.
- B** Demand is perfectly inelastic.
- C** Supply is perfectly elastic.
- D** Supply is perfectly inelastic.

11 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

12 The price of a product is above the market equilibrium price.

Which combination of changes is certain to result as the market adjusts towards equilibrium?

	quantity demanded	quantity supplied
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

13 What can be concluded about a good with a positive cross-price elasticity of demand?

- A** Its price will be sensitive to changes in prices of close substitutes.
- B** Its price will be sensitive to changes in quantity demanded of close substitutes.
- C** The quantity demanded for this good will be sensitive to changes in prices of close substitutes.
- D** The quantity demanded for this good will be sensitive to changes in quantity demanded of close substitutes.