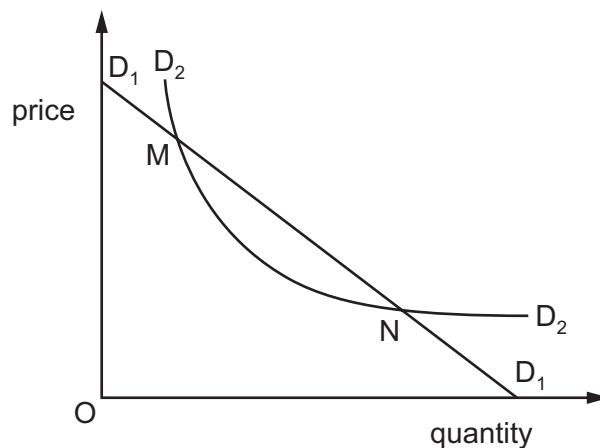


- 4 What is most likely to severely affect the ability of money to act as a medium of exchange?
- A a devaluation of a country's rate of exchange for foreign currency
  - B an increase in the money supply
  - C a very high rate of inflation
  - D a very high rate of interest
- 5 What would **not** affect the position of the demand curve for wigs?
- A an increase in incomes
  - B a reduction in the price of hairdressing
  - C an increase in wigs worn by television celebrities
  - D a reduction in the price of wigs
- 6 In which situation is the demand for a product said to be price elastic?
- A The quantity demanded responds to a change in price.
  - B An increase in price brings about a decrease in the quantity demanded.
  - C An increase in price induces consumers to spend more on the product.
  - D A decrease in price brings about an increase in revenue.
- 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.