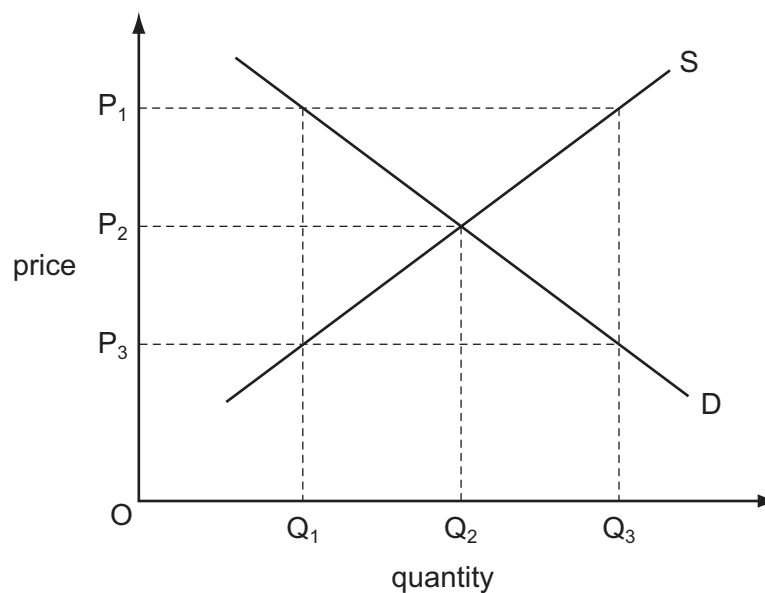


- 8 The price elasticity of demand for good X is 1. At a price of \$12, quantity demanded is 4000 units. What will be the price when the quantity demanded is 20 000 units?
- A** \$2.00 **B** \$2.40 **C** \$12.00 **D** \$20.00
- 9 Consumer spending decreased in the recession of 2009-10. A firm tried to keep revenue high by giving discounts to encourage demand. It measured the price elasticity of demand (PED) for its own product and the cross elasticity of demand (XED) with its competitors' products.
- When might such promotions achieve the result the company hoped?
- A** when PED is greater than one and XED is positive
B when PED is less than one and XED is negative
C when PED is less than one and XED is positive
D when PED is unity and XED is negative
- 10 Which combination of price and quantity will lead to a rise in price and a contraction in quantity to reach equilibrium?



- A** P_1Q_1 **B** P_1Q_3 **C** P_3Q_1 **D** P_3Q_3
- 11 In a market economy, demand for a product rises and price increases but output remains unchanged.
- What could explain this?
- A** a lack of financial incentives for entrepreneurs
B a perfectly inelastic supply of factors of production
C consumer influence exceeding producer influence
D social benefits equalling private benefits