

- 6 What can be concluded about a product which has an income elasticity of demand (YED) of +1.5 and a cross elasticity of demand (XED) of +1.2?

	YED figure	XED figure
A	the product is an inferior good	the product has a close complement
B	the product is an inferior good	the product has a close substitute
C	the product is a normal good	the product has a close complement
D	the product is a normal good	the product has a close substitute

- 7 A manufacturer increases the price of his product in an attempt to increase total revenue.

The table shows the outcome of the policy.

price (\$)	total revenue 000's (\$)
4	400
5	500
6	600

What is the price elasticity of demand for the product?

- A** perfectly elastic
B perfectly inelastic
C relatively elastic
D relatively inelastic
- 8 A free market is in disequilibrium with a shortage of a product.

As the market moves towards equilibrium, what will happen to the price, the quantity demanded and the quantity supplied?

	price	quantity demanded	quantity supplied
A	decrease	decrease	increase
B	decrease	increase	decrease
C	increase	decrease	increase
D	increase	increase	decrease