

- 9 Diesel engines are a major cause of air pollution in cities. A city authority placed a charge on diesel taxis entering the city.

What would be the **most** likely effects on the demand and supply of taxi journeys into the city?

	demand for taxi journeys	supply of taxi journeys
A	fall	fall
B	fall	remain unchanged
C	remain unchanged	fall
D	rise	fall

- 10 Which combination of the classification of a good and market change will cause the demand curve for the good to shift right?

	classification of good	market change
A	inferior good	income decrease
B	inferior good	price decrease
C	normal good	income decrease
D	normal good	price decrease

- 11 The supply (S) of a product is determined by the equation $S = 10 + 10P$ when P is the price of the product in \$.

What is the product's price elasticity of supply when its price rises from \$1 to \$2?

- A** 0.5 **B** 1.0 **C** 2.0 **D** 5.0

- 12 The table gives estimates of the price elasticities and cross elasticities of demand for bus and rail travel.

service	elasticity with respect to the price of	
	bus travel	rail travel
bus travel	-0.37	+0.13
rail travel	+0.16	-0.43

What would be the change in the volume of rail travel resulting from a 1% increase in bus fares?

- A** a decrease of 0.13%
B a decrease of 0.37%
C an increase of 0.16%
D an increase of 0.43%