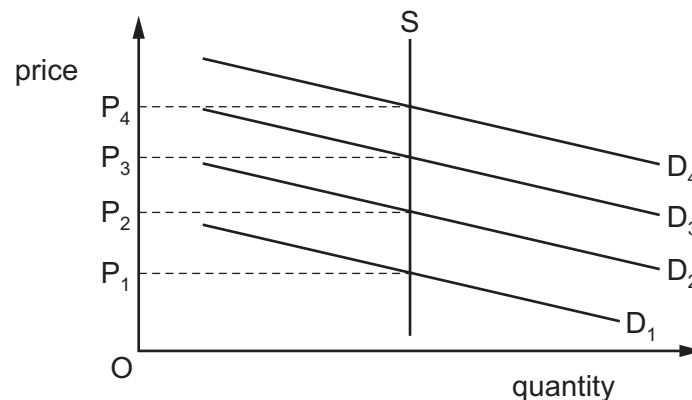


- 8 In the diagram, the supply curve shows the number of spaces in a car park and the demand curves show the demand for spaces on four different days (D_1 , D_2 , D_3 and D_4).



The owner wishes to charge a parking fee on each of these days to allocate the spaces according to the market mechanism.

Which pricing policy should the owner use?

- A set a fixed price at P_1
 - B set a fixed price at P_4
 - C vary prices between P_2 and P_3
 - D vary prices between P_1 and P_4
- 9 An indirect tax is imposed on a product in a competitive market.
- Under which circumstances would the value of the consumer surplus be most likely to remain unchanged?
- A New substitutes are developed for the product and production costs rise.
 - B Some producers merge so there is less competition in the market.
 - C The product is an inferior good, consumer incomes increase and production costs rise.
 - D The product is a normal good, consumer incomes increase and production costs fall.
- 10 How might a firm raise the value of the price elasticity of supply for its product?
- A decrease the amount of labour that it employs
 - B employ new technology to increase its productive capacity
 - C increase advertising expenditure to generate more revenue
 - D reduce the level of stocks in order to cut costs