**10** A firm estimates that the price elasticity of supply of its product is +1.5.

What does this indicate?

- A The firm has available stock.
- **B** The firm has no excess capacity.
- **C** The firm operates in a competitive market.
- **D** The firm raises its price by 10% and its total revenue increases by 15%.
- **11** A rise in the price of a good is accompanied by an increase in the quantity demanded.

What could explain this?

- A Consumers spend a high proportion of disposable income on the good.
- **B** The price of a complementary good has also increased.
- **C** The price of the good is taken to be an indication of the level of quality.
- **D** The substitute goods are all very much more expensive.
- 12 What causes the demand curve for an inferior good to shift to the right?
  - A a decrease in consumer incomes
  - **B** a decrease in income tax
  - C a decrease in the price of a substitute good
  - **D** a decrease in the price of the good