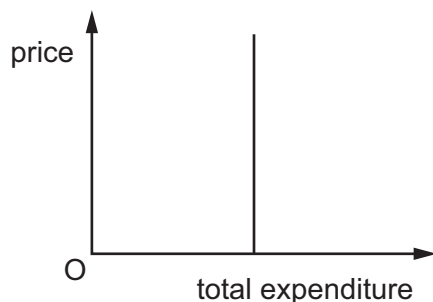


- 6 The diagram shows the relationship between the price and the total expenditure on a good.



Which statement is correct?

- A** The income elasticity of demand for the commodity is unity.
  - B** The income elasticity of demand for the commodity is zero.
  - C** The price elasticity of demand for the commodity is unity.
  - D** The price elasticity of demand for the commodity is zero.
- 7 Over the last ten years the price elasticity of demand for tea in many countries has risen.
- What is the most likely cause of this change in price elasticity?
- A** a decrease in the incomes of consumers
  - B** a decrease in the number of complements to tea
  - C** an increase in the amount of tea supplied
  - D** an increase in the number of substitutes for tea
- 8 What would be the price elasticity of supply of cell (mobile) phones if their price rose from US\$100 to US\$110 and the quantity supplied rose from 200 to 250?
- A** 0.2                      **B** 0.4                      **C** 2.5                      **D** 5.0
- 9 A product has a high price elasticity of supply.
- What might explain this?
- A** The product has a high opportunity cost.
  - B** The product has a non-perishable nature.
  - C** The product is classed as an inferior good.
  - D** The product is considered to be a luxury.