

- 5** A product has a downward-sloping demand curve and an upward-sloping supply curve.

What would explain a rise in the price of the product and a fall in the quantity of the product sold?

- A** The decrease in demand is double the decrease in supply.
- B** The decrease in supply is double the decrease in demand.
- C** The increase in demand is double the increase in supply.
- D** The increase in supply is double the increase in demand.

- 6** Public transport in an economy has an income elasticity of demand of -0.36 .

What does this mean about public transport?

- A** It has close substitutes.
- B** It is a necessity.
- C** It is a normal good.
- D** It is an inferior good.

- 7** The quantity demanded of a product is given by $Q_D = 400 - 10P$, when P is the price in dollars. Supply of the product is fixed at 100 units.

If the price is \$20, what will be the position in the market?

- A** It will be in disequilibrium with excess demand of 100 units.
- B** It will be in disequilibrium with excess supply of 100 units.
- C** It will be in equilibrium with 100 units traded.
- D** It will be in equilibrium with 200 units traded.