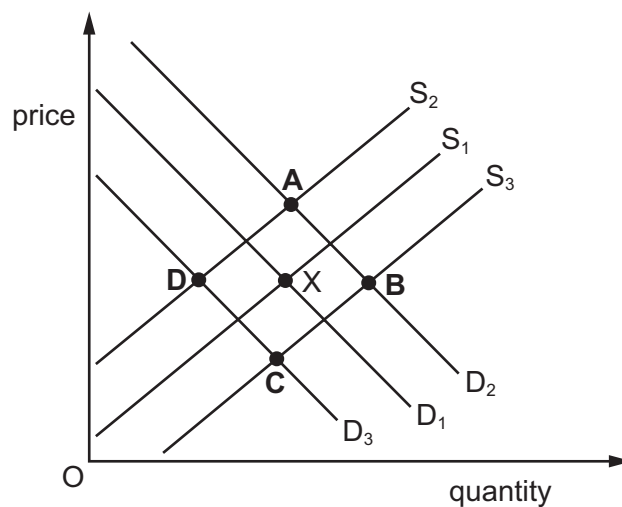


- 7 The cross-elasticity of demand between two goods will be higher
- A the greater the difference in price between the two goods.
  - B the greater the income elasticities of demand for the two goods.
  - C the greater the price elasticities of demand for the two goods.
  - D the more they are regarded as similar by consumers.
- 8 The price elasticity of supply of a good is +2. The quantity supplied originally was 200 units.
- The price increases by 30%.

What will the quantity supplied be after the price increase?

- A 80 units
  - B 140 units
  - C 260 units
  - D 320 units
- 9 The diagram shows  $S_1$  and  $D_1$ , the original supply and demand curves for fast food in an economy. Point X is the original equilibrium. Fast food is an inferior good.
- What would be the new equilibrium position following a tax imposed on fast food and a fall in real income?



- 10 When will the price mechanism **not** function as a system for allocating goods?
- A when the government bans advertising
  - B when the government maintains an effective maximum price
  - C when there is a limited supply of the good
  - D when there is a powerful company able to set the market price