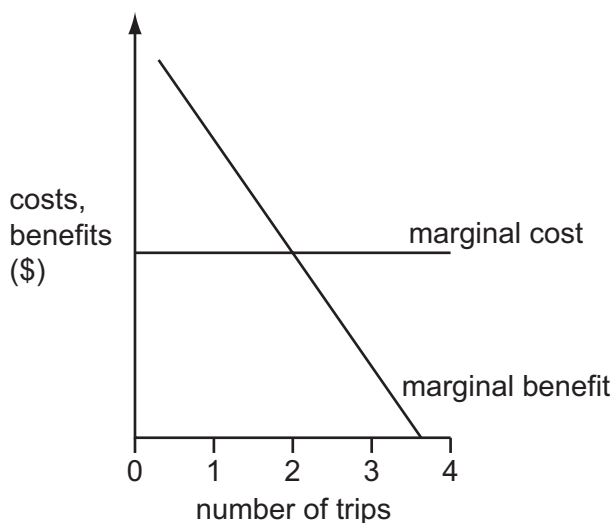


- 3 The diagram shows a person's marginal costs and marginal benefits of making trips to the cinema.



How many trips will the person make?

- A None, as each extra trip reduces marginal benefit.
 - B One, as this maximises the excess of marginal benefit over marginal cost.
 - C Two, as this maximises the net benefit of making trips.
 - D Three, as all trips have a positive marginal benefit.
- 4 A change in market conditions causes a reduction in supply. This results in a higher price for the product, which has a downward-sloping demand curve.

What must be the outcome of this higher price?

- A an increase in the factors employed in the industry
 - B an increase in producer's revenue
 - C a reduction in the quantity demanded
 - D a reduction in the demand for substitutes
- 5 A government wishes to impose a tax on a good so that the consumer and not the producer pays most of the tax increase.

Which type of elasticity would best achieve this aim?

- A high price elasticity of supply
- B low price elasticity of supply
- C unitary price elasticity of supply
- D perfectly inelastic price elasticity of supply