

- 4 A farmer can produce both wheat and barley at constant costs of production. The opportunity cost of a kilo of wheat is 1.5 kilos of barley. The price of a kilo of wheat is twice that of barley.

What should the farmer do to maximise revenue?

- A Concentrate on barley production.
 - B Concentrate on wheat production.
 - C Produce wheat and barley in the ratio 2 : 1.
 - D Produce wheat and barley in the ratio 3 : 2.
- 5 The table shows the price and quantity demanded of a successful film DVD in the first four weeks after its release.

| week | price of DVD (\$) | quantity demanded per week |
|------|-------------------|----------------------------|
| 1 | 16 | 3000 |
| 2 | 14 | 5000 |
| 3 | 12 | 6500 |
| 4 | 10 | 7800 |

What can be concluded from the table?

- A Sales do not reflect price changes.
 - B Sales increase less than proportionally to changes in price.
 - C Sales increase more than proportionally to changes in price.
 - D Sales reflect proportionately the changes in price.
- 6 The price of good X rises by 20%. As a result, the demand for a substitute good Y changes by 10%.

What is the cross elasticity of demand for good Y with respect to the price of good X?

- A -2 B -0.5 C +0.5 D +2
- 7 The price elasticity of demand for a product is inelastic.

How will a decrease in supply affect producer revenue and consumer surplus?

| | producer revenue | consumer surplus |
|---|------------------|------------------|
| A | fall | fall |
| B | fall | rise |
| C | rise | fall |
| D | rise | rise |