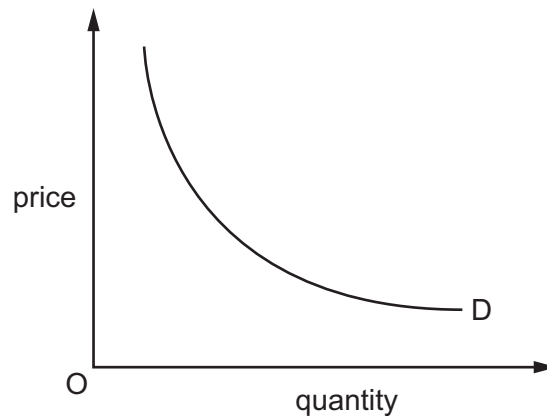


- 7 A survey into the market for good X found that it is an inferior good and a close substitute to good Y.

Which values for the income elasticity of demand for good X and its cross elasticity of demand with respect to the price of good Y would support this?

	income elasticity of demand for good X	cross elasticity of demand for good X with respect to the price of good Y
A	-1.2	-0.9
B	-1.2	+0.9
C	+1.2	-0.9
D	+1.2	+0.9

- 8 The diagram shows the demand curve for a product with unitary price elasticity.



What will happen with such a curve?

- A** A fall in price will bring about an increase in total expenditure on the product.
- B** A fall in price will bring about an increase in sales but a fall in total expenditure on the product.
- C** As the price rises, total expenditure on the product stays the same.
- D** As the price rises, total expenditure on the product rises and then falls.