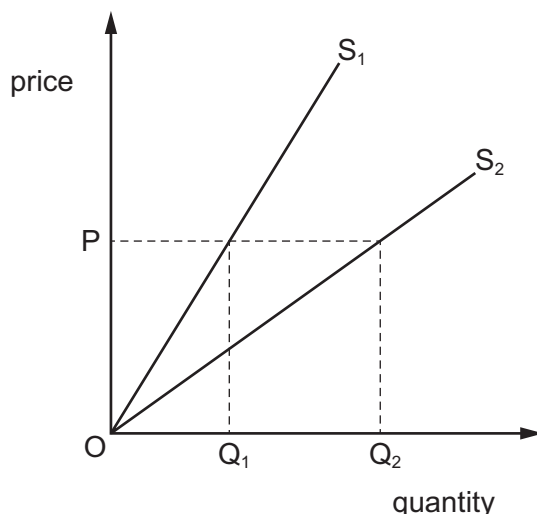


- 7 The diagram shows the movement of the supply curve for a product from  $S_1$  to  $S_2$ .



At price  $P$ , what happens to the price elasticity of supply for the product and the producer surplus when the supply curve moves?

	price elasticity of supply	producer surplus
<b>A</b>	more elastic	decreases
<b>B</b>	more elastic	increases
<b>C</b>	unchanged	decreases
<b>D</b>	unchanged	increases

- 8 The tables show the different quantities of a good demanded at different prices and levels of income.

price \$	quantity demanded
5	9
4	10
3	20
2	40
1	120

income \$	quantity demanded
48	120
24	40
16	20
10	10
8	9

Within the range of these figures, when are both price elasticity of demand and income elasticity of demand for this good inelastic?

- A** when price is low and income is high
- B** when price is high and income is low
- C** when price and income are both high
- D** when price and income are both low