10 A firm estimates that the price elasticity of supply of its product is +1.5.

What does this indicate?

A The firm has available stock.

B The firm has no excess capacity.

C The firm operates in a competitive market.

D The firm raises its price by 10% and its total revenue increases by 15%.

11 A rise in the price of a good is accompanied by an increase in the quantity demanded.

What could explain this?

A Consumers spend a high proportion of disposable income on the good.

B The price of a complementary good has also increased.

C The price of the good is taken to be an indication of the level of quality.

D The substitute goods are all very much more expensive.

12 What causes the demand curve for an inferior good to shift to the right?

A a decrease in consumer incomes

B a decrease in income tax

C a decrease in the price of a substitute good

D a decrease in the price of the good