

- 12** The table shows the market demand and market supply for kiwifruit over a year.

At a market price of \$3 per kg there is disequilibrium in the market.

price of kiwifruit (\$ per kg)	total market demand (thousand tonnes)	total market supply (thousand tonnes)
1	220	120
2	190	130
3	160	140
4	130	150
5	100	160

Which action would the government have to take to achieve market equilibrium at a price of \$3 per kg?

- A** impose an indirect tax of \$2 per kg on kiwifruit
  - B** purchase the entire supply at \$3 per kg and sell at \$2 per kg
  - C** set a maximum price of \$3 per kg
  - D** subsidise kiwifruit production by \$2 per kg
- 13** The cross-elasticity of demand of good S with respect to the price of good P is +1.5.  
The cross-elasticity of demand of good S with respect to the price of good R is -1.5.  
The cross-elasticity of demand of good P with respect to the price of good R is -1.5.
- What can be concluded about goods P, R and S?
- A** S and P are complements; P and R are substitutes.
  - B** S and P are complements; R is an inferior good.
  - C** S and P are substitutes; P and R are complements.
  - D** S and P are substitutes; R is an inferior good.
- 14** A government wishes to impose a tax on a good so that the consumer 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