

- 7 A businessman had intended to borrow \$5000 at 8 % per year for house purchase. When the interest rate rose to 10 % he decided to borrow only \$4000.

Within what range is his interest elasticity of demand for loans?

- A 0.0 to –0.3
  - B –0.4 to –0.7
  - C –0.8 to –1.2
  - D –1.3 to –1.7
- 8 A manufacturer's ability to increase supply in the short run will be greater
- A if labour is immobile.
  - B if the product is perishable.
  - C if there is spare capacity.
  - D if unemployment is low.
- 9 The table gives information about the market for two models of car.

model	number of cars sold per week	cross elasticity of demand with respect to the price of petrol
1200 cc	10 000	–0.25
2000 cc	5 000	–0.50

If the prices of the cars remain unchanged, but the price of petrol increases by 100 %, what will be the effect on the number of cars sold per week?

- A increase by 5000
- B no change
- C decrease by 5000
- D decrease by 15 000