

- 6 What is correct about market supply?
- A Market supply can increase only when all individual firms increase their output.
 - B Market supply is effective when consumers have sufficient income to buy the good.
 - C Market supply is the result of aggregating the supply of all individual firms.
 - D Market supply of an inferior good falls as price increases.
- 7 In which circumstances must the total expenditure by consumers on a good increase when its price increases?
- A if demand for the good is income-elastic
 - B if demand for the good is price-inelastic
 - C if the price of a complementary good also increases
 - D if the price of substitute goods also increases
- 8 The price elasticity of demand for good X is 1. At a price of \$12, quantity demanded is 4000 units. What will be the price when the quantity demanded is 20 000 units?
- A \$2.00 B \$2.40 C \$12.00 D \$20.00
- 9 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.
- 10 A manufacturer's ability to increase supply in the short run will be greater
- A if labour is immobile.
 - B if spare capacity exists.
 - C if the product is perishable.
 - D if unemployment is low.