

- 5 What could cause a shift in the supply curve of good X and a movement along its supply curve?

|          | shift in the curve                               | movement along the curve                      |
|----------|--|---|
| <b>A</b> | a change in consumer preferences                 | an increase in the price of a substitute good |
| <b>B</b> | a decrease in factor productivity                | the imposition of a tax on good X             |
| <b>C</b> | an increase in the price of a complementary good | an increase in factor productivity            |
| <b>D</b> | an increase in the wage rates in the industry    | a change in consumer preferences              |

- 6 The price of good X rises by 10 %. As a result, the demand for a complementary good Y changes by 20 %.

What is the cross elasticity of demand for good Y with respect to good X?

- A** +2                      **B** +0.5                      **C** -0.5                      **D** -2

- 7 An industry is comprised of three firms, R, S and T which produce product X.

| price of X<br>\$ | output of X |        |        |
|------------------|-------------|--------|--------|
|                  | firm R      | firm S | firm T |
| 36               | 80          | 59     | 85     |
| 29               | 73          | 48     | 76     |
| 22               | 52          | 0      | 68     |

By how much is a rise in the price of product X from \$22 to \$36 likely to increase the market supply of X?

- A** 27                      **B** 77                      **C** 104                      **D** 224

- 8 A firm estimates that the price elasticity of supply of its product is 0.4.

Should the firm be concerned by this figure?

- A** No, as it implies that the firm will be able to raise revenue by raising price.  
**B** No, as it suggests there are few substitutes for the product.  
**C** Yes, as it indicates that the firm is not able to adjust supply easily when demand changes.  
**D** Yes, as it means that demand for its product is increasing at a slow rate.