

- 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
A	a change in consumer preferences	an increase in the price of a substitute good
B	a decrease in factor productivity	the imposition of a tax on good X
C	an increase in the price of a complementary good	an increase in factor productivity
D	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 \$	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.