

- 7 Which combination is most likely to result in the demand for a product being highly price elastic?

	number of close substitutes	% of income spent on product
A	large	large
B	large	small
C	small	large
D	small	small

- 8 A manufacturer increases the price of his product from \$4 in an attempt to increase total revenue.

The table shows the outcome of the policy.

price (\$)	total revenue 000's (\$)
4	400
5	500
6	600

What is the price elasticity of demand for the product?

- A** perfectly elastic
 - B** perfectly inelastic
 - C** relatively elastic
 - D** relatively inelastic
- 9 A firm establishes that the price elasticity of supply of its product has a value of 0.3.

What is likely to be true about the firm?

- A** It has unused productive capacity.
- B** It has unsold stock of its product.
- C** It uses a high proportion of perishable raw materials.
- D** It uses factors of production that are easily substituted.