

Elasticities MC Questions

GCE A-LEVEL ECONOMICS

3 **0**

The price elasticity of demand for games consoles is -1.2 . It can be concluded that a 10% reduction in their price would lead to a percentage change in demand of

A -8.3%

B -12.0%

C $+8.3\%$

D $+12.0\%$

[1 mark]

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If the price elasticity of supply of a good is +4.0 and its price increases by 10%, the increase in quantity supplied is

A 0.4%

B 2.5%

C 25%

D 40%

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Which one of the following gives a positive value for the cross elasticity of demand?

- A A fall in air fares increases the demand for holidays
- B A fall in the cost of car insurance increases the demand for cars
- C A rise in the price of petrol decreases the demand for cars
- D A rise in rail fares increases the demand for coach travel

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A supermarket has estimated values of the income elasticity of demand for some of its products as shown in the table below.

Product	Income elasticity of demand
Fruit	0.30
Cheese	0.20
Milk	0.10
Eggs	0.01

If incomes increase by 5%, for which of these grocery items will the quantity demanded increase by more than 1%?

A Eggs

B Fruit

C Fruit and cheese

D Milk and eggs

[1 mark]

1 4

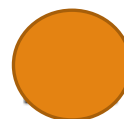
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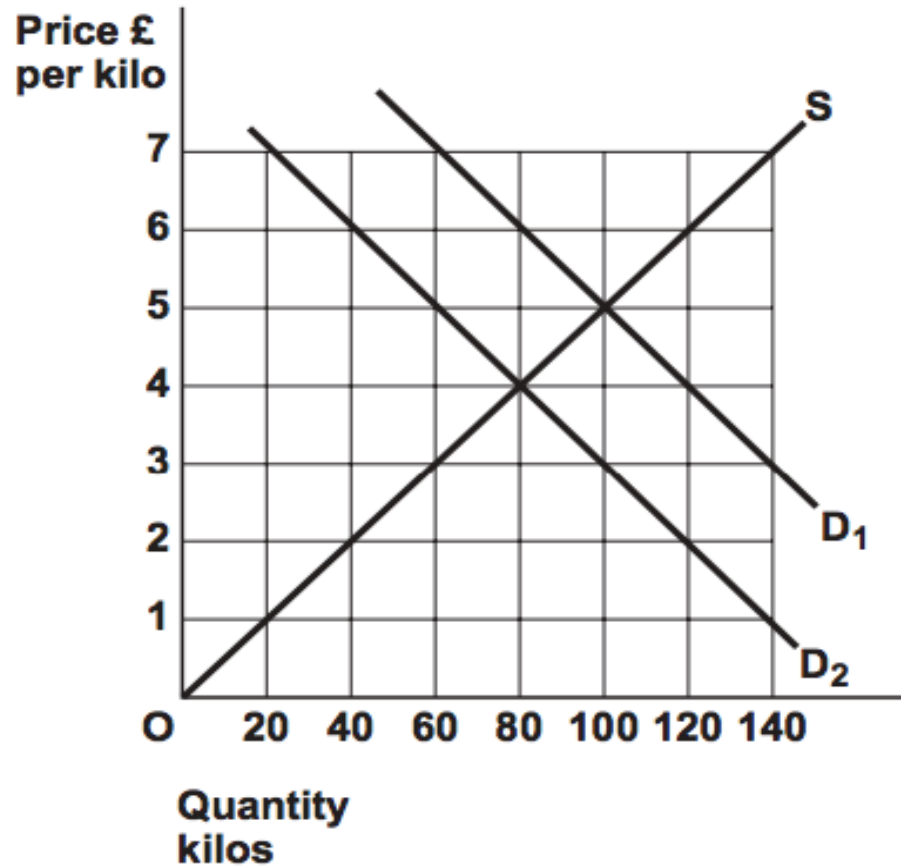
D Milk and eggs

[1 mark]

1

7

The diagram below shows the original market demand (D_1) and supply (S) curves for fresh strawberries. A decrease in the demand for fresh strawberries shifts the demand curve from D_1 to D_2 .



From the above diagram, it can be concluded that when the equilibrium price of fresh strawberries falls from £5 per kilo to £4 per kilo, the price elasticity of supply of strawberries is

A -0.8

B +0.8

C -1

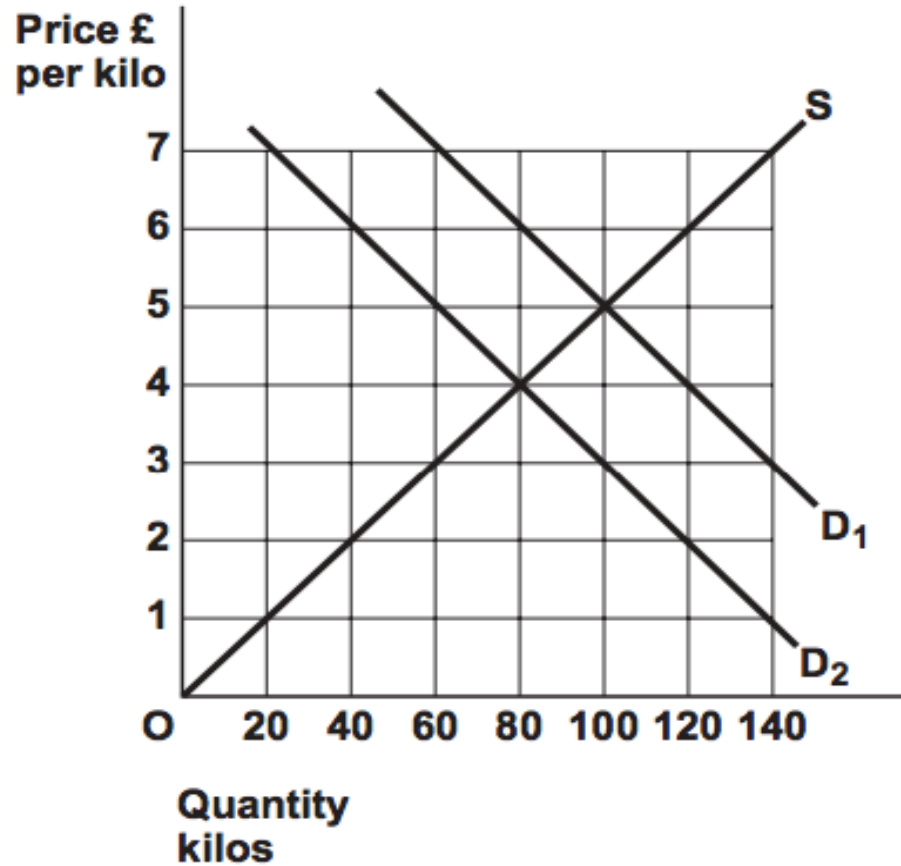
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0 5 The cross elasticity of demand between goods X and Y is positive. This implies that they are

A Normal goods.

B Substitute goods.

C Goods in composite demand.

D Complementary goods.

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0 6 Many agricultural products are subject to large fluctuations in price. One reason why these large fluctuations occur is because the

A Demand for agricultural products is income inelastic in the long run.

B Supply of agricultural products is price elastic in the long run.

C Supply of agricultural products is price inelastic in the short run.

D Demand for agricultural products is price elastic in the short run.

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07

A good has a price elasticity of supply of +0.8. At present, the quantity supplied of the good is 200 units per week at a market price of £800 per unit. If the price rises to £1000 per unit then the quantity supplied per week would

A Increase to 250 units.

B Increase to 240 units.

C Increase to 360 units.

D Decrease to 160 units.

[1 mark]

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A The shorter the time period under consideration.

B If the good in question has many close substitutes.

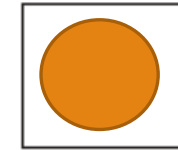
C If the good in question is a necessity.

D If complementary goods are required for its consumption.

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