

Economics (Elasticity)

20 Questions

1. Price elasticity of demand measures:

- 11/43 A Responsiveness of supply to price
- 2/43 B Responsiveness of demand to income
- 21/43 C Responsiveness of demand to price
- 9/43 D Responsiveness of price to demand

2. If $PED=0.3$, demand is:

- 12/43 A Elastics
- 22/43 B Inelastic
- 7/43 C Unit elastic
- 2/43 D Perfectly elastic

3. A good with many substitutes is likely to have:

- 9/42 A Inelastic demand
- 4/42 B Perfectly inelastic demand
- 26/42 C Elastic demand
- 3/42 D Zero elasticity

4. When price falls and total revenue increases, demand is:

- 6/42 A Inelastic
- 19/42 B Elastic
- 11/42 C Perfectly elastic
- 6/42 D Unit elastic

5. A necessity such as bread usually has:

- 9/42 A Highly elastic demand
- 11/42 B Perfectly elastic demand
- 14/42 C Inelastic demand
- 8/42 D Infinite demand

6. Price elasticity of supply measures:

- 5/42 **A** Change in quantity supplied due to income
- 4/42 **B** Change in price due to demand
- 24/42 **C** Responsiveness of quantity supplied to price change
- 9/42 **D** Responsiveness of demand to supply

7. Supply is more elastic when:

- 3/42 **A** Time period is short
- 26/42 **B** Production is flexible
- 9/42 **C** Inputs are fixed
- 4/42 **D** Goods are perishable

8. If $PES < 1$, supply is:

- 12/42 **A** Elastic
- 5/42 **B** Unit elastic
- 20/42 **C** Inelastic
- 5/42 **D** Perfectly elastic

9. Agricultural products in the short run usually have:

- 3/42 **A** Elastic supply
- 8/42 **B** Perfectly elastic supply
- 22/42 **C** Inelastic supply
- 9/42 **D** Infinite elasticity

10. If a 10% rise in price leads to a 15% rise in quantity supplied, PES is:

- 5/42 **A** 0.67
- 6/42 **B** 1.0
- 31/42 **C** 1.5
- 0/42 **D** 2.0

11. Cross-price elasticity measures:

- 8/42 **A** Effect of income change on demand
- 27/42 **B** Effect of price change of one good on demand for another
- 4/42 **C** Effect of supply change on price
- 3/42 **D** Effect of tax on demand

12. If cross-price elasticity between two goods is positive, the goods are:

- 18/42 A Complements
- 18/42 B Substitutes
- 2/42 C Unrelated
- 4/42 D Inferior goods

13. If cross-price elasticity is negative, the goods are:

- 14/42 A substitutes
- 4/42 B normal goods
- 20/42 C complements
- 4/42 D luxury goods

14. If cross-price elasticity is zero, the goods are:

- 4/42 A Complements
- 6/42 B Substitutes
- 25/42 C Independent
- 7/42 D Giffen goods

15. Tea and coffee are likely to have:

- 18/42 A Negative cross-price elasticity
- 4/42 B Zero cross-price elasticity
- 16/42 C Positive cross-price elasticity
- 4/42 D Infinite cross-price elasticity

16. Income elasticity of demand measures:

- 7/42 A Effect of price on demand
- 15/42 B Effect of income on demand
- 16/42 C Effect of supply on price
- 4/42 D Effect of tax on demand

17. A normal good has:

- 3/42 A Negative income elasticity of demand
- 9/42 B Zero income elasticity of demand
- 27/42 C Positive income elasticity of demand
- 3/42 D Infinite income elasticity of demand

18. An inferior good has:

- 6/42 **A** Positive income elasticity
- 7/42 **B** Zero income elasticity
- 24/42 **C** Negative income elasticity
- 5/42 **D** Unit income elasticity

19. Luxury goods usually have income elasticity of demand:

- 7/42 **A** Less than 0
- 6/42 **B** Equal to 0
- 6/42 **C** Between 0 and 1
- 23/42 **D** Greater than 1

20. If income rises by 20% and demand rises by 10%, income elasticity of demand equals:

- 4/42 **A** 0.2
- 25/42 **B** 0.5
- 9/42 **C** 1.0
- 4/42 **D** 2.0