Economics (Elasticity)

20 Questions

1. Price elasticity of demand measures:

4/29 **A** Responsiveness of supply to price

3/29 **B** Responsiveness of demand to income

18/29 **C** Responsiveness of demand to price

4/29 **D** Responsiveness of price to demand

2. If PED=0.3, demand is:

9/29 **A** Elastics

18/29 **B** Inelastic

1/29 **C** Unit elastic

1/29 **D** Perfectly elastic

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

5/29 **A** Inelastic demand

2/29 **B** Perfectly inelastic demand

21/29 **C** Elastic demand

1/29 **D** Zero elasticity

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

5/29 **A** Inelastic

18/29 **B** Elastic

5/29 **C** Perfectly elastic

1/29 **D** Unit elastic

5. A necessity such as bread usually has:

8/29 **A** Highly elastic demand

8/29 **B** Perfectly elastic demand

9/29 **C** Inelastic demand

4/29 **D** Infinite demand

6. Price elasticity of supply measures:

3/29 **A** Change in quantity supplied due to income

7/29 **B** Change in price due to demand

15/29 **C** Responsiveness of quantity supplied to price change

4/29 **D** Responsiveness of demand to supply

7. Supply is more elastic when:

6/29 **A** Time period is short

21/29 **B** Production is flexible

1/29 **C** Inputs are fixed

1/29 **D** Goods are perishable

8. If PES<1, supply is:

5/29 **A** Elastic

3/29 **B** Unit elastic

18/29 **C** Inelastic

3/29 **D** Perfectly elastic

9. Agricultural products in the short run usually have:

6/29 **A** Elastic supply

5/29 **B** Perfectly elastic supply

13/29 **C** Inelastic supply

5/29 **D** Infinite elasticity

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

5/29 **A** 0.67

3/29 **B** 1.0

21/29 **C** 1.5

0/29 **D** 2.0

11. Cross-price elasticity measures:

5/29 **A** Effect of income change on demand

18/29 **B** Effect of price change of one good on demand for another

1/29 **C** Effect of supply change on price

5/29 **D** Effect of tax on demand

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

11/29 **A** Complements

11/29 **B** Substitutes

4/29 **C** Unrelated

3/29 **D** Inferior goods

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

10/29 **A** substitutes

4/29 **B** normal goods

6/29 **C** complements

9/29 **D** luxury goods

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

6/29 **A** Complements

6/29 **B** Substitutes

14/29 **C** Independent

3/29 **D** Giffen goods

15. Tea and coffee are likely to have:

4/29 **A** Negative cross-price elasticity

6/29 **B** Zero cross-price elasticity

15/29 **C** Positive cross-price elasticity

4/29 **D** Infinite cross-price elasticity

16. Income elasticity of demand measures:

7/29 **A** Effect of price on demand

11/29 **B** Effect of income on demand

8/29 **C** Effect of supply on price

3/29 **D** Effect of tax on demand

17. A normal good has:

1/29 **A** Negative income elasticity of demand

5/29 **B** Zero income elasticity of demand

20/29 **C** Positive income elasticity of demand

3/29 **D** Infinite income elasticity of demand

18. An inferior good has:

8/29   **A**   Positive income elasticity

4/29   **B**   Zero income elasticity

16/29   **C**   Negative income elasticity

1/29   **D**   Unit income elasticity

19. Luxury goods usually have income elasticity of demand:

6/29   **A**   Less than 0

2/29   **B**   Equal to 0

9/29   **C**   Between 0 and 1

12/29   **D**   Greater than 1

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

6/29   **A**   0.2

13/29   **B**   0.5

7/29   **C**   1.0

3/29   **D**   2.0