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Price elasticity of supply (PES)

1 What is the price elasticity of supply (PES) for a product that experiences a 5% increase in supply following a 10% price rise?

- A** -2.0 **B** -0.5 **C** +0.5 **D** +2.0

2 What is the price elasticity of supply for rice based on the information below?

Change in price	Change in supply
+8%	+2%

- A** -4.0 **B** -2.5 **C** +0.25 **D** +4.0

3 Which is a use of price elasticity of supply?

- A** to calculate changes in the general price level
- B** to calculate consumer spending based on their disposable income
- C** to estimate the changes in a firm's costs of production
- D** to identify changes in the spending patterns of consumers

4 Which is likely to have the highest value for price elasticity of supply (PES)?

- A** haircuts at a local hair salon
- B** organic oranges
- C** original Picasso paintings
- D** season tickets at Real Madrid Football Club

5 The market price of cherries falls from \$5 per kilogram (kg) to \$4 per kg, which causes the market supply to fall from 10 000 kg to 9 500 kg. What is the price elasticity of supply for cherries?

- A** 0.05 **B** 0.2 **C** 0.25 **D** 4.0

6 The price elasticity of supply (PES) for chocolate in a particular country is known to be +0.95.

a Describe what would happen to the supply of chocolate if the market price increases by 10%. [2 marks]

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b Explain one factor which affects the PES for chocolate. [2 marks]

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7 Suppose the market price of lemons increases from \$4 per kilogram (kg) to \$4.8 per kg, causing quantity supplied to rise from 10 000 kg to 10 500 kg.

a Calculate the price elasticity of supply for lemons. [2 marks]

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b Explain the results of your answer. [4 marks]

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8 With reference to **two** different industries, explain the difference between *price inelastic supply* and *price elastic supply*. [4 marks]

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9 Explain whether the PES for breakfast cereal is elastic or inelastic. [4 marks]

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10 With the use of appropriate examples, analyse the factors that determine the value of price elasticity of supply (PES) for a product of your choice. [6 marks]

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