

# PENANG SANGAM HIGH SCHOOL

## YEAR 12

### ECONOMICS

#### WORKSHEET 3

##### Strand 2                      Microeconomics

##### Question 1

Use the information given below to answer the questions.

Price (\$)	Quantity Demanded
3	50
6	30
8	15
12	5

- i.        **Define elasticity?**
- ii.      **Calculate** price elasticity of demand when price changes from \$6 to \$12.  
**(Use mid-point formula)**
- iii.     State the formula to calculate Cross-elasticity of Demand?
- iv.      State one significance of the use of elasticity?

## Question 2

**Circle the letter of the best answer.**

1. In a perfect completion, restrictions on entry into an industry
  - A. apply to labour but not to capital
  - B. apply to both labour and capital
  - C. do not exist
  - D. apply to capital but not to labour
2. The inefficiency associated with monopoly is due to
  - A. free entry and exit which increases monopolies profit
  - B. Many sellers in the market
  - C. Restricting output leading to underproduction of good
  - D. Charging low price and overproduction of the good
3. Which imperfect market practices collusion to enjoy as a single producer and maximize profit?
  - A. Oligopoly
  - B. Monopoly
  - C. Monopolistic
  - D. Monopsony
4. Perfectly competitive firms have perfectly elastic demand curve which
  - A. Runs parallel to the horizontal axis
  - B. Runs parallel to the vertical axis
  - C. Is perfectly upward sloping at 45 degree angle from upper left to lower right
  - D. Is perfectly downward sloping at 45 degree angle from upper left to lower right
5. In a perfectly competitive industry a firm's shutdown point occurs at the price and quantity at which
  - A. Average variable cost is at minimum
  - B. Average fixed cost is at maximum
  - C. Average fixed cost is at minimum
  - D. Average variable cost is at maximum
6. Which market structure refers to only few airline firms that can engage in forming a cartel to gain market power?
  - A. Monopoly
  - B. Oligopoly
  - C. Perfect competition
  - D. Monopolistic competition