

A-Level Economics

Name: _____ Score: _____

1. A country can make 10 units of wheat OR 5 units of cloth with the same resources. What is the opportunity cost of 1 unit of cloth (in wheat)?

2. A tariff is:
 - ☐ a payment to domestic firms
 - ☐ a ban on exports
 - ☐ a tax on imports
 - ☐ a limit on the quantity imported
3. Exports total 500 and imports total 600. What is the trade balance (exports – imports)?

4. If 1 pound = 1.30 dollars, how many dollars do you get for 200 pounds?

5. Which is an expenditure-switching policy to reduce a current account deficit?
 - ☐ currency depreciation
 - ☐ cutting government spending
 - ☐ raising interest rates
 - ☐ raising income tax
6. Comparative advantage is based on which country has the lower:
 - ☐ opportunity cost
 - ☐ exchange rate
 - ☐ population
 - ☐ tax rate
7. The "infant industry" argument says protection should be used to:
 - ☐ raise consumer prices permanently
 - ☐ ban all imports
 - ☐ let a new industry grow until it can compete
 - ☐ protect a dominant monopoly
8. Which is part of the current account?

- ☐ the government budget
- ☐ the money supply
- ☐ trade in goods and services
- ☐ interest rates

9. A strong pound makes imports dearer and exports cheaper.

- ☐ True ☐ False

10. Supply-side policies aim to improve competitiveness as a long-run fix for a deficit.

- ☐ True ☐ False

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1. **2**

$10 \text{ wheat} \div 5 \text{ cloth} = 2 \text{ wheat per cloth.}$

2. **a tax on imports**

A tariff is an import tax; a quota is a quantity limit; a subsidy pays home firms.

3. **-100**

$500 - 600 = -100$, a trade deficit of 100.

4. **260**

$200 \times 1.30 = 260 \text{ dollars.}$

5. **currency depreciation**

Depreciation switches spending toward home goods; the others reduce total expenditure.

6. **opportunity cost**

Comparative advantage compares opportunity costs, not absolute resource use.

7. **let a new industry grow until it can compete**

Temporary protection while a young industry achieves economies of scale.

8. **trade in goods and services**

The current account records trade in goods/services, primary and secondary income.

9. **False**

False. SPICED: a Strong Pound makes Imports Cheaper and Exports Dearer, because each pound buys more foreign currency.

10. **True**

Raising productivity makes exports succeed without relying on a weaker currency.