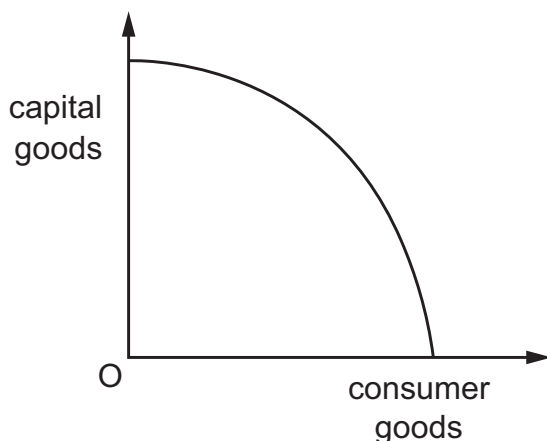


- 3 The diagram shows a production possibility curve for an economy that produces capital goods and consumer goods.



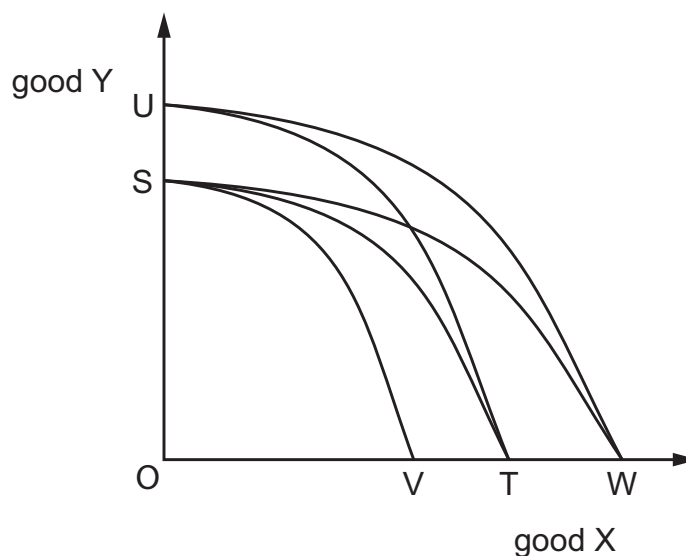
Why is the production possibility curve drawn concave to the origin?

- A Capital goods are a more labour-intensive output than consumer goods.
 - B Consumers always seek to maximise their satisfaction from consumption.
 - C Profit maximisation for firms always ensures efficiency in production.
 - D Some resources are more efficient in production of some goods than others.
- 4 What is an example of a public good?
- A A ferry that takes members of the public across a river.
 - B A fish farm that is owned by the government.
 - C A fishing boat that is owned by all members of a village.
 - D A lighthouse that warns boats of dangerous rocks.
- 6 Which statement defines market equilibrium?
- A when *ceteris paribus* no longer applies
 - B when quantity demanded equals quantity supplied
 - C when quantity demanded is equal to price
 - D when supply can no longer expand
- 10 What is an example of direct provision by a government?
- A The government introduces a subsidy on renewable fuels to help the environment.
 - B The government introduces a unit tax on cigarettes to discourage consumption.
 - C The government sets a maximum rent on housing to protect tenants.
 - D The government takes over a private library to improve local services.

3 What is **not** a characteristic of a planned economy?

- A Consumers have limited influence on what is produced.
- B Profit is the motive for increasing output.
- C Resources are owned by the government.
- D There is limited competition in the market.

5 The diagram shows a production possibility curve (PPC) for a country that produces two goods, X and Y. The initial PPC is given by ST.



What is the effect on the PPC when the productivity of workers producing good X increases?

- A The PPC shifts from ST to SV.
- B The PPC shifts from ST to SW.
- C The PPC shifts from ST to UT.
- D The PPC shifts from ST to UW.

1 The following appeared in a newspaper article.

‘The economies of the poorest nations have large international debts; the richest nations should cancel the debts of these nations and reduce poverty.’

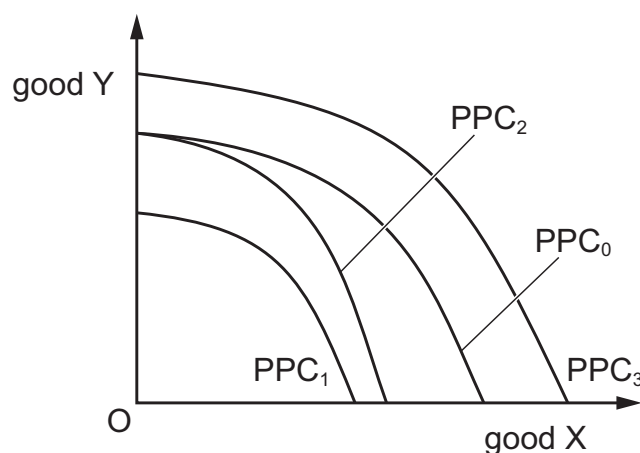
What is the nature of each statement?

	poorest nations have large international debts	richest nations should cancel these debts to reduce poverty
A	normative	normative
B	normative	positive
C	positive	positive
D	positive	normative

2 What is meant by the division of labour?

- A** A process is split into a series of individual tasks.
- B** Some workers work part-time and others work full-time.
- C** The same amount of output per hour is produced by each worker.
- D** Wages are divided equally between workers.

- 5** The diagram shows a production possibility curve (PPC) for an economy that produces two goods, X and Y. Both goods require labour to produce. The initial position of the PPC is at PPC_0 .



What is the effect on the PPC following the emigration of a large number of workers?

- A** the PPC remains at PPC_0
 - B** the PPC shifts from PPC_0 to PPC_1
 - C** the PPC shifts from PPC_0 to PPC_2
 - D** the PPC shifts from PPC_0 to PPC_3
- 29** An economy specialises in the production of one product. It exports this product to obtain another product.

Which type of diagram can show the combinations of these products?

- A** the production possibility curve
- B** the aggregate demand curve
- C** the principle of absolute advantage
- D** the trading possibility curve