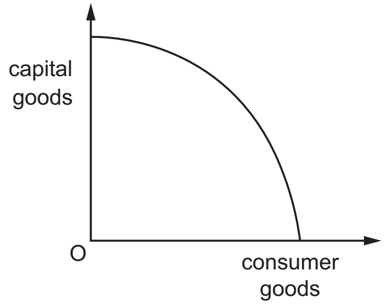
**3** The diagram shows a production possibility curve for an economy that produces capital goods and consumer goods.




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?

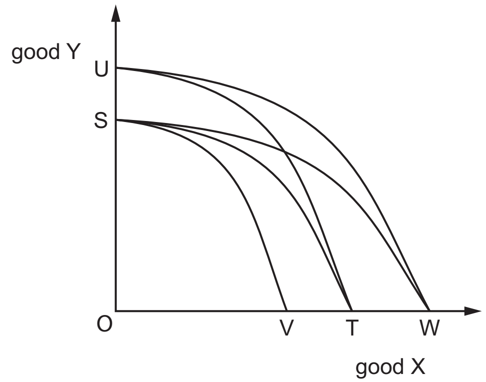
**A** Consumers have limited influence on what is produced.

**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.

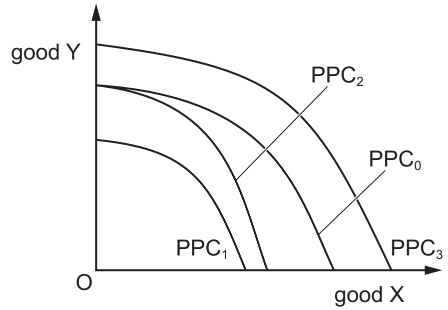
**C** The same amount of output per hour is produced by each worker.

**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