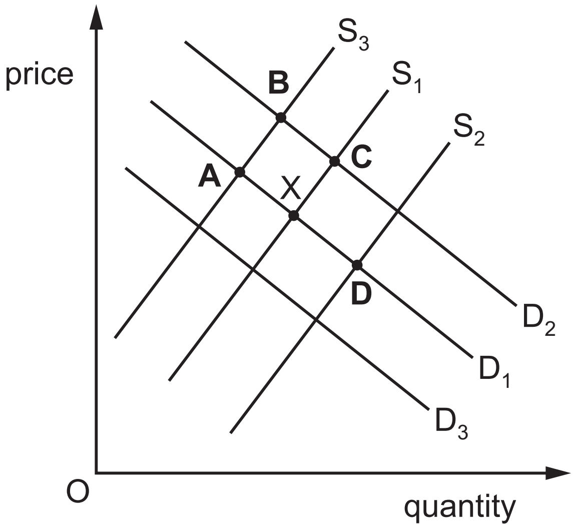
11 The diagram shows supply and demand for a good. The original equilibrium is X.

What will be the new equilibrium if subsidies are given to firms for new machinery?



6 What is **not** a function of the price mechanism?

A to act as a signal to firms when allocating resources

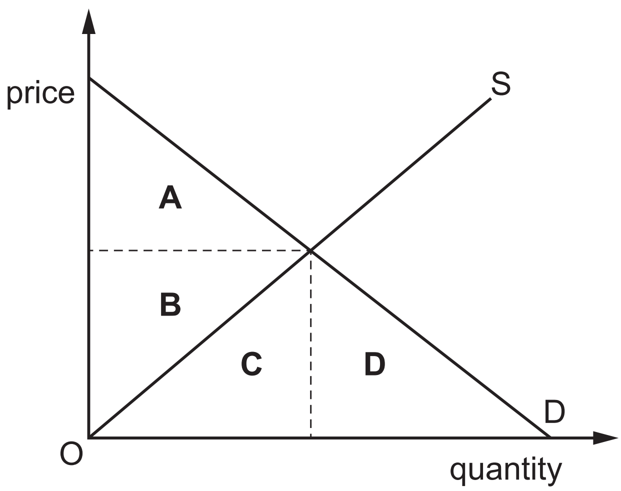
B to maximise consumer surplus

C to provide an incentive to firms to produce goods

D to ration scarce resources

10 The diagram shows the demand for and supply of a product.

Which area shows producer surplus?



7 When can a product be said to have a negative income elasticity of demand?

A When it is a luxury good.

B When it is a necessity good.

C When it is a normal good.

D When it is an inferior good.

11 An indirect tax is imposed on good X.

Which situation is most likely to result in producers bearing a higher burden of the tax?

A price elasticity of demand is elastic

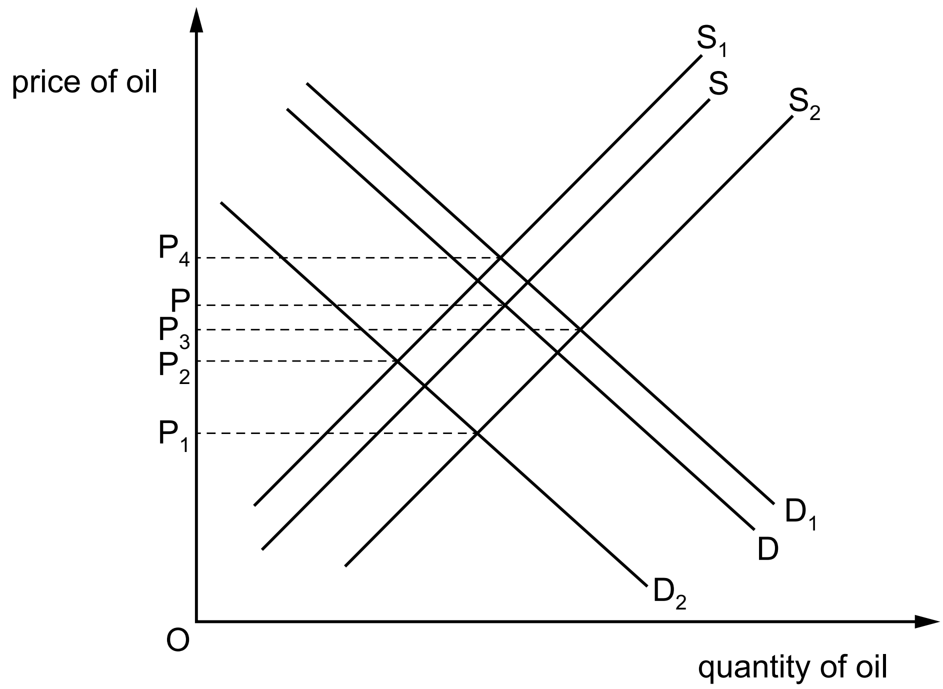
B price elasticity of demand is inelastic

C price elasticity of supply is elastic

D price elasticity of supply is inelastic

A-Level Economics: **Specimen 1**

9 The diagram shows the market for oil. The original equilibrium price is P.



There is a reduction in world oil supplies due to war in some supplying countries. At the same time some importing countries are much colder than usual.

What will be the equilibrium price of oil after these changes?

A P_1 **B** P_2 **C** P_3 **D** P_4

7 The curve in the diagram shows a relationship between the price and the quantity of a product. It has not been given a label.

What is an accurate description of the curve?

A a perfectly elastic demand curve

B a perfectly inelastic supply curve

C a relatively elastic supply curve

D a unitary elastic demand curve

8 Which statement is true if the income elasticity of demand for a good has a value of –0.2?

A When income rises less of the good is bought.

B When income rises more of the good is bought.

C When price falls more of the good is bought.

D When price rises less of the good is bought.

9 The table shows the price of a good and total expenditure on the good during specific periods when the market is in equilibrium.

period	price ($)	total expenditure ($)
1	12	96 000
2	5	40 000
3	8	64 000
4	10	80 000
5	4	32 000

What can be deduced from this data?

A The good has constant opportunity cost.

B The good is an inferior good.

C The price elasticity of demand is equal to one.

D The price elasticity of supply is equal to zero.

12 A government gives a subsidy to a producer of a product.

What will be the likely effect of this?

A a shift to the left in the demand curve and a rise in equilibrium quantity

B a shift to the left in the supply curve and a rise in equilibrium quantity

C a shift to the right in the demand curve and a fall in equilibrium price

D a shift to the right in the supply curve and a fall in equilibrium price