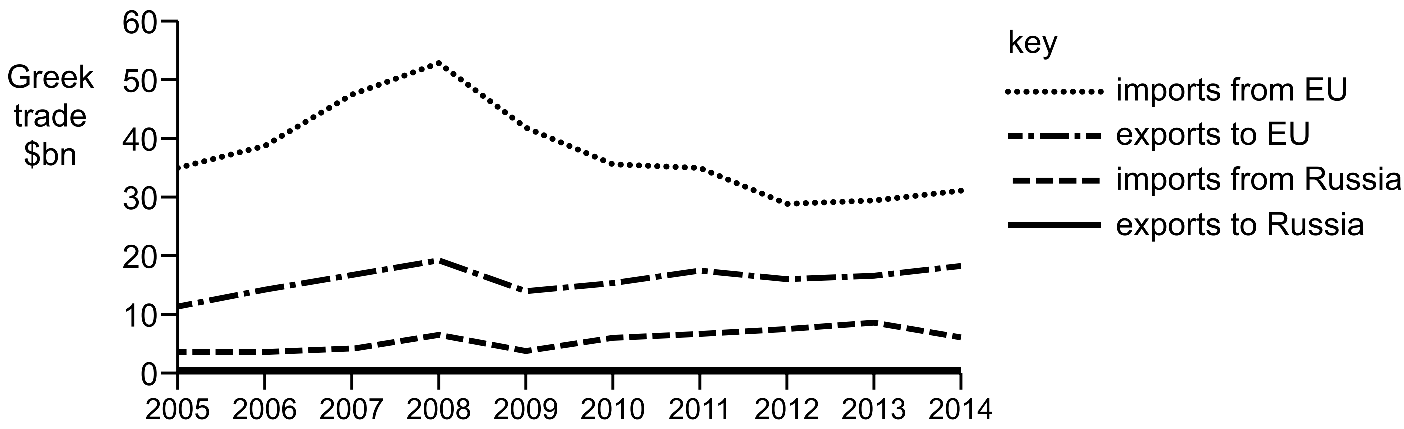
17 An open economy with a government sector is in equilibrium. Households in this economy save \$100 million and firms spend \$150 million on investment.

Which combination of the budget balance and the current account balance would lead to an equilibrium position on the circular flow of income?

	budget balance	current account balance
A	\$100m deficit	\$50m deficit
B	\$100m deficit	\$50m surplus
C	\$100m surplus	\$50m deficit
D	\$100m surplus	\$50m surplus

A-Level Economics: **Specimen 1**

24 The diagram shows Greece's trade position with the EU and Russia between 2005 and 2014.



What can be concluded about the period 2005 to 2014?

A Greece's annual trade deficit with the EU rose continuously.

B Greece's annual trade deficit with the EU was lower in 2014 than in 2005.

C Greece's annual trade deficit with the EU fell continuously.

D Greece's annual trade deficit with the EU was smaller than its deficit with Russia.

26 Since 2000 a country's export prices have increased on average by 50% and its import prices by 25%.

What is the current figure for the country's terms of trade (2000 = 100)?

A 75 **B** 83 **C** 120 **D** 125

20 The aggregate demand (AD) curve in an economy shifts to the left.

What is most likely to cause this shift?

A a decrease in the exchange rate

B a decrease in the interest rate

C an increase in the budget deficit

D an increase in the current account deficit

28 What is **not** a limitation of the theory of comparative advantage?

A the movement of factors of production between countries

B governments' imposition of trade restrictions

C one country being more efficient in the production of all goods

D transport costs outweighing any comparative advantage

29 What would **not** be included in the current account of the balance of payments?

A income earned outside the country that is transferred into the country

B value of food and raw materials produced and consumed within the country

C value of food and raw materials that are exported

D value of telecommunications services that are imported

30 A country has a current account deficit on its balance of payments. The government also has a budget deficit.

Which measure to reduce the current account deficit will increase the budget deficit?

A depreciating the exchange rate

B introducing quotas on imports

C raising tariffs on imports

D subsidising exports

26 A country with a floating exchange rate has a large deficit on the current account of the balance of payments.

What is most likely to decrease as a consequence of this deficit?

A competitiveness of the country's products

B level of employment in the country

C prices of exports from the country

D rate of inflation in the country

27 What will definitely lead to an improvement in the terms of trade?

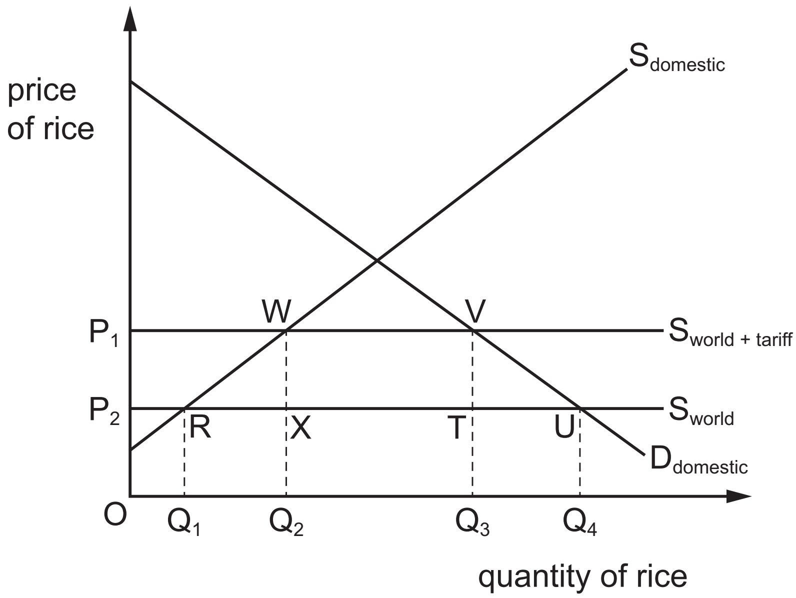
A Export prices fall whilst import prices rise.

B Export prices rise by the same amount as import prices.

C Export prices rise slower than import prices.

D Export prices rise whilst import prices stay the same.

30 The diagram shows the effect of a government removing the tariff on imports of rice into its country.



How would the removal of this tariff affect the consumer surplus and the government's revenue?

	consumer surplus	government revenue
A	increases by VUT	decreases by WVTX
B	increases by VUT	decreases by WVQ_3Q_2
C	increases by P_1VUP_2	decreases by WVTX
D	increases by P_1VUP_2	decreases by WVQ_3Q_2