1. A market is best defined as:

   ☐ any system where buyers and sellers trade

   ☐ a government office

   ☐ a place where only food is sold

   ☐ a physical shop only

2. The law of demand states that, other things equal, as price falls:

   ☐ quantity demanded falls

   ☐ demand shifts left

   ☐ supply rises

   ☐ quantity demanded rises

3. The law of supply states that, other things equal, as price rises:

   ☐ supply shifts left

   ☐ demand rises

   ☐ quantity supplied rises

   ☐ quantity supplied falls

4. Market equilibrium is where:

   ☐ quantity demanded is zero

   ☐ quantity supplied is zero

   ☐ quantity demanded equals quantity supplied

   ☐ price is at its highest level

5. A rise in demand (the demand curve shifts right) leads to:

   ☐ no change

   ☐ lower price and quantity

   ☐ higher equilibrium price and quantity

   ☐ higher price, lower quantity

6. Mexico's tax raised drink prices by 10% and purchases fell by 6%. What is the PED?

   _____

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   _____

8. Which are weaknesses of a pure market system? (Select all that apply.)

   ☐ inequality

   ☐ market failure (e.g. pollution ignored)

   ☐ monopoly exploitation

   ☐ consumer choice

   Tick every correct option.

9. Education creates a negative externality, harming people other than the student.

   ☐ True ☐ False

10. In a mixed economy, the government typically: (Select all that apply.)

    ☐ sets every single price

    ☐ redistributes income

    ☐ provides merit goods like schools

    ☐ provides public goods

    Tick every correct option.

1. **any system where buyers and sellers trade**

   A market is any arrangement bringing buyers and sellers together.

2. **quantity demanded rises**

   Lower price, more demanded – the curve slopes down.

3. **quantity supplied rises**

   Higher price, more supplied – the curve slopes up.

4. **quantity demanded equals quantity supplied**

   Equilibrium clears the market – Qd = Qs.

5. **higher equilibrium price and quantity**

   More demand raises both equilibrium price and quantity.

6. **-0.6**

   $-6 \div 10$.

7. **0.5**

   PES = 10% / 20% = 0.5 – inelastic.

8. **inequality; market failure (e.g. pollution ignored); monopoly exploitation**

   Choice is a strength; the others are weaknesses.

9. **False**

   False. Education creates a positive externality: a more educated workforce benefits society beyond the student.

10. **redistributes income; provides merit goods like schools; provides public goods**

    It corrects failures and provides essentials, but does not plan every price.

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