1. Specialisation means a country concentrates on producing:

   ☐ only luxury goods

   ☐ what it produces most efficiently

   ☐ everything it needs

   ☐ nothing at all

2. A tariff is:

   ☐ a subsidy to exporters

   ☐ a ban on all trade

   ☐ a tax on imports

   ☐ a limit on import quantity

3. An exchange rate is:

   ☐ the price of one currency in terms of another

   ☐ a tax added to imported goods

   ☐ the inflation rate of a country

   ☐ the interest rate set by the central bank

4. Which are part of the current account? (Select all that apply.)

   ☐ trade in goods

   ☐ trade in services

   ☐ the unemployment rate

   ☐ income from investments abroad

   Tick every correct option.

5. Which are gains from free trade? (Select all that apply.)

   ☐ more choice

   ☐ higher prices

   ☐ economies of scale for producers

   ☐ lower prices for consumers

   Tick every correct option.

6. A quota restricts trade by:

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   ☐ lowering import prices

   ☐ subsidising imports

   ☐ limiting the quantity that can be imported

7. Currency depreciation means the currency has:

   ☐ stayed the same

   ☐ been banned

   ☐ risen in value

   ☐ fallen in value

8. A country exports 120 and imports 150 of goods and services. What is the deficit?

   _____

9. Trade can only benefit the country that exports more.

   ☐ True ☐ False

10. Which are reasons governments restrict trade? (Select all that apply.)

    ☐ to protect jobs

    ☐ to protect infant industries

    ☐ to lower domestic prices

    ☐ to guard against dumping

    Tick every correct option.

1. **what it produces most efficiently**

   It focuses on its most efficient products and trades for the rest.

2. **a tax on imports**

   A tariff is an import tax; a quota is a quantity limit.

3. **the price of one currency in terms of another**

   It is the price of a currency, set by supply and demand.

4. **trade in goods; trade in services; income from investments abroad**

   The current account covers goods, services, income and transfers.

5. **more choice; economies of scale for producers; lower prices for consumers**

   Trade lowers prices and widens choice; higher prices is not a gain.

6. **limiting the quantity that can be imported**

   A quota caps the quantity of imports allowed.

7. **fallen in value**

   Depreciation is a fall; appreciation is a rise.

8. **30**

   $150 - 120 = 30$ deficit.

9. **False**

   False. Specialisation and trade can make both trading countries better off, each getting more than it could by producing everything alone.

10. **to protect jobs; to protect infant industries; to guard against dumping**

    Protection tends to raise, not lower, domestic prices.

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