

- 1 Which factor of production is needed first in order to set up a new business?
- A capital
 - B enterprise
 - C labour
 - D land
- 2 Assuming nothing else changes, which change in an economy's labour market will cause the production possibility curve to shift to the left?
- A an increase in worker immigration
 - B an increase in the retirement age
 - C an increase in labour productivity
 - D an increase in the school leaving age
- 3 What is **not** a characteristic of a mixed economy?
- A The government has no role in setting prices.
 - B The government manages taxation rights.
 - C The government prevents firms from earning excessive profits.
 - D The government provides services not provided by the private sector.
- 4 What is **not** likely to result from the use of division of labour?
- A a decrease in average costs
 - B an increase in motivation
 - C an increase in productivity
 - D an improvement in quality of the final product
- 5 Price plays a number of functions in the allocation of resources.

Which statement best illustrates the function that relies upon consumer choice (sometimes known as the incentivising function)?

- A A price fall can show consumers that a good is becoming less popular.
- B A price fall tends to persuade some producers not to stay in the market for the good.
- C A price rise means consumers cannot afford to buy so much of a good.
- D A price rise tends to reduce competitiveness in the market for a good.