

**24** There is an increase in indirect taxes.

What will be the impact on demand-pull inflation and on cost-push inflation?

|          | demand-pull<br>inflation | cost-push<br>inflation |
|----------|--------------------------|------------------------|
| <b>A</b> | fall                     | fall                   |
| <b>B</b> | fall                     | rise                   |
| <b>C</b> | rise                     | fall                   |
| <b>D</b> | rise                     | rise                   |

**25** The table shows the number of biscuits and cakes that can be produced by four workers in an hour.

|          | Laura | Mo | Nathan | Omar |
|----------|-------|----|--------|------|
| biscuits | 6     | 10 | 13     | 8    |
| cakes    | 3     | 10 | 12     | 16   |

Who has the greatest comparative advantage in producing biscuits?

- A** Laura
- B** Mo
- C** Nathan
- D** Omar

**26** Which condition is necessary for a country's balance of payments on its current account to improve if it reduced its exchange rate?

- A** Both the price elasticities of supply for its imports and its exports must be elastic.
- B** The importing country will buy all the excess supplies of its trading partner to clear the market.
- C** The sum of the price elasticities of domestic demand for imports and the foreign demand for exports must be greater than one.
- D** The trading partners need to agree on the maximum prices to be charged for imports and exports.