

- 23** A newspaper headline stated that the Australian car industry has been affected by the strength of the Australian dollar.

What would **not** be an effect caused by a strong rising Australian dollar?

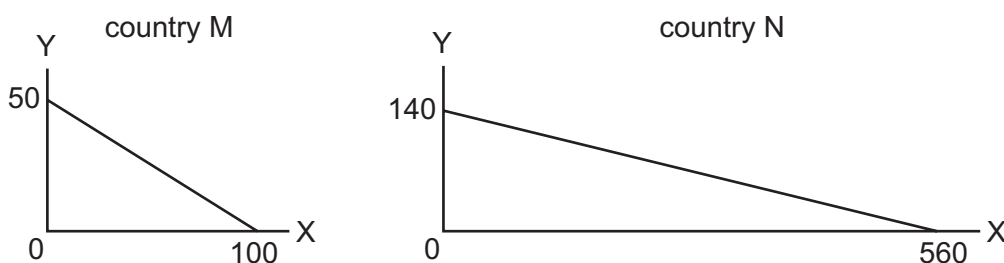
- A** Reduced foreign demand for Australian cars caused increased unemployment.
- B** The price of exports of Australian cars became more expensive.
- C** The price of foreign competitive cars became less expensive.
- D** The price of imports of car parts became more expensive.

- 24** The terms of trade for a country have improved.

Which combination of price behaviour would have caused this?

	average price of exports	average price of imports
A	decrease 4%	decrease 6%
B	decrease 4%	unchanged
C	increase 4%	increase 6%
D	unchanged	increase 2%

- 25** The graphs show the production possibilities for commodities X and Y in two countries M and N.



What will be the effect of an agreement between M and N to exchange the commodities at a rate of 1Y for 3X?

- A** Both countries will gain, because their consumption possibilities will increase.
- B** Consumers in country M will lose, because a unit of Y will now cost 3X instead of 2X.
- C** Neither country will gain, because they both have a comparative advantage in the production of the same commodity, X.
- D** Only country N will gain, because N can produce more of both commodities than M.