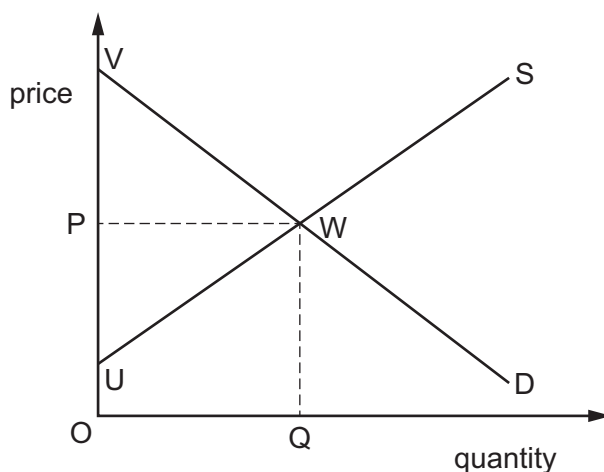


- 12 What is generally considered to be one of the advantages of using the price mechanism as a rationing device?
- A It ensures that goods are allocated in accordance with the wants of consumers.
  - B It ensures that suppliers cannot make excessive profits.
  - C No one can be prevented from consuming a good if they are willing and able to pay the market price.
  - D The allocation of goods is determined by consumers' wealth.
- 13 The diagram shows a competitive market in equilibrium with price  $P$  and quantity  $Q$  sold.



Which area represents the producer surplus?

- A  $OPWQ$  minus  $OUWQ$
  - B  $OPWQ$  minus  $UPW$
  - C  $OVWQ$  minus  $OPWQ$
  - D  $OVWQ$  minus  $PVW$
- 14 The government fixes a maximum price for wheat flour below the market equilibrium price.
- After the maximum price is imposed, which statement is **not** correct?
- A Producers' revenue is increased.
  - B Some consumers may encourage illegal sales.
  - C The quantity supplied of flour will decrease.
  - D There will be an excess demand for flour.