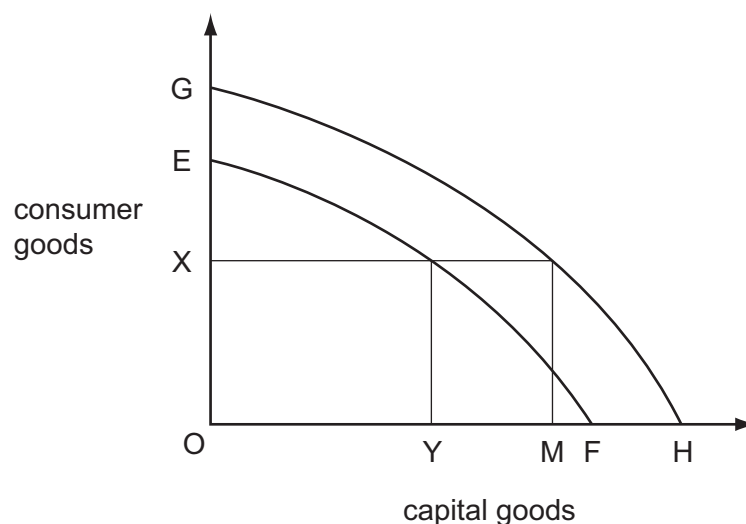


- 1 In a market economy, what is the basis for determining the allocation of factors of production?
- A the market share of companies
  - B the needs of the country
  - C the pattern of consumers' spending
  - D the wealth of entrepreneurs
- 2 The diagram shows two production possibility curves (EF and GH), before and after technological progress has taken place.



After technological progress has taken place, what is the opportunity cost in capital goods of producing OX consumer goods?

- A MH
  - B OH
  - C OM
  - D YF
- 3 What is meant by 'ceteris paribus' in economic analysis?
- A A normative approach is being adopted.
  - B The effect of a change of one variable is being considered in isolation.
  - C One good has to be sacrificed to obtain more of another.
  - D One factor of production is fixed.
- 4 Doctors should be paid highly because they have to undertake a long period of training.
- What can be concluded about this statement?
- A It is a normative statement because high pay does not always result from lengthy training.
  - B It is a normative statement because it expresses an opinion.
  - C It is a positive statement because doctors do have to train for a long period.
  - D It is a positive statement because greater skill results in higher pay.