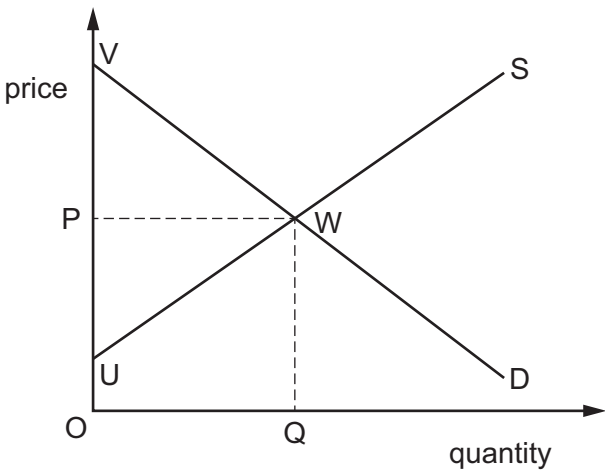


- 10 Butter is a normal good. It is in joint demand with bread and in joint supply with buttermilk. The demand for butter increases because of a rise in consumer incomes.

What are the effects of this increase on the prices of bread and buttermilk?

	price of bread	price of buttermilk
<b>A</b>	decreases	decreases
<b>B</b>	decreases	increases
<b>C</b>	increases	decreases
<b>D</b>	increases	increases

- 11 The diagram shows a competitive market in equilibrium with price P and quantity Q sold.



Which area represents the producer surplus?

- A** PWU                      **B** PVW                      **C** OUWQ                      **D** OPWQ
- 12 A policy that aims to reduce the degree of inequality of income will also reduce the level of employment in a country.

What is most likely to be such a policy?

- A** The effective minimum wage is increased by 25%.
- B** The rate of income tax paid by the lowest band of earners is reduced.
- C** The government increases the level of subsidies given to producers of some merit goods.
- D** The government provides more goods that are regarded as essential.