

13 What explains the underconsumption of merit goods?

- A** Their value is not fully understood by consumers.
- B** They are unproductive goods and services.
- C** They can only be provided by the government.
- D** They are only provided by private sector businesses.

14 A country uses an income tax under which the first \$10 000 of income is tax-free, the next \$20 000 is taxed at 20% and any income over \$30 000 is taxed at a top rate of 40%. It also levies a sales tax of 10% on most products.

Which combination of tax changes is most likely to create a more equal distribution of income in the country?

	income tax	sales tax
A	a higher tax-free allowance	a higher rate of tax
B	a higher top rate of tax	a lower rate of tax
C	a lower tax-free allowance	a higher number of exempt goods
D	a lower top rate of tax	a lower number of exempt goods

15 The table shows real GDP expressed as an index number in each quarter of 2021.

2021	index of GDP in real terms (2020 = 100)
Q1	99.4
Q2	99.3
Q3	100.1
Q4	100.4

What can be concluded from the table?

- A** Inflation reduced the real value of GDP in the first six months of 2021.
- B** Real GDP was lower at the end of 2021 than 2020.
- C** The economy was in recession at the end of the first six months of 2021.
- D** The standard of living was higher at the end of 2021 than in 2020.