

- 12** What does **not** happen when price acts as a means to allocate resources?
- A** Price determines the supply of public goods.
  - B** Price operates in the markets for both goods and factors of production.
  - C** Price recognises consumers' ability to pay rather than consumers' needs.
  - D** Price signals to producers which goods are most profitable.
- 13** Which statement about market disequilibrium is correct?
- A** Price is likely to change.
  - B** Supply is equal to demand.
  - C** The government must intervene.
  - D** There must be shortages.
- 14** Which combination of tax changes is **most** likely to be regressive in a developed economy?
- A** increasing the rate of wealth tax and raising the rate of sales tax (VAT) on luxury products
  - B** introducing a tax on owning property based on its sales value and increasing the rate of income tax
  - C** reducing the basic rate of income tax and increasing the duty on fuel
  - D** removing the tax-free allowance for income tax and extending sales tax (VAT) to include all food
- 15** The demand and supply functions for a product are quantity demanded =  $1500 + 50P$  and quantity supplied =  $300P - 2000$  where  $P$  = price. With government regulation, the current price in the market is \$15.

What can be concluded about the form of price regulation and the balance of demand and supply in the market?

	form of price regulation	balance of demand and supply
<b>A</b>	effective maximum price	excess demand
<b>B</b>	effective maximum price	excess supply
<b>C</b>	effective minimum price	excess demand
<b>D</b>	effective minimum price	excess supply