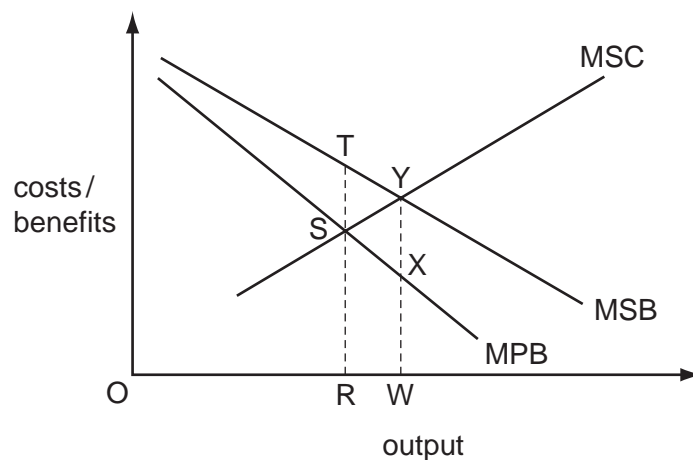


- 12 Between 2006 and 2007, the price of skimmed milk powder on the world market rose from \$1000 per tonne to \$2400 per tonne.

Assuming that the market is a free market, what will result from the price change?

- A Consumers will buy more complements to skimmed milk powder.
 - B Farmers will increase the size of their dairy herds to supply more milk.
 - C Firms processing milk into skimmed milk will switch to producing substitutes.
 - D Governments will introduce a system of rationing.
- 13 Which statement indicates that the price mechanism is allocating resources successfully?
- A Belgian chocolate companies increase supplies to China because of higher than expected sales.
 - B Train operators in India lower fares because of overcrowding on trains.
 - C US supermarkets throw away large amounts of food because of misjudging demand.
 - D World fish stocks decline because of over-fishing.
- 14 A government is planning to intervene in a market to fix output at the economically desirable level by giving a subsidy.



To achieve its objective, what should be the subsidy per unit?

- A ST
- B SX
- C TY
- D XY