

- 1 A tourist visits the coast for a holiday.

On her first day, she visits the local tourist office for information, goes for a swim in the sea, spends the evening enjoying the view of the coastline and rents a campsite for an overnight stay.

Which activities involve economic goods and which involve free goods?

| | economic goods | free goods |
|----------|--------------------------|--------------------------|
| A | camping and information | swimming and sightseeing |
| B | information and swimming | sightseeing and camping |
| C | sightseeing and camping | information and swimming |
| D | swimming and sightseeing | camping and information |

- 2 Which aspect of a planned economy might be viewed unfavourably by a consumer but favourably by a producer?
- A** a bureaucratic system of decision-making
 - B** a long response time to changing economic events
 - C** an absence of incentives to work and to produce
 - D** an emphasis on the production of capital goods
- 3 If the rate of inflation rises from 2% to 20%, which function of money is likely to be most affected?
- A** medium of exchange
 - B** standard for deferred payment
 - C** store of value
 - D** unit of account
- 4 Which statement would be classified by an economist as a positive statement?
- A** Balancing the budget cannot be more important than reducing inflation.
 - B** Maintaining the real income of pensioners needs to be a priority.
 - C** The government should increase indirect taxation.
 - D** The government will not increase direct taxation.
- 5 Which statement about price elasticity of supply is correct?
- A** It cannot change in the short run.
 - B** It increases as the time period lengthens.
 - C** It is infinite in the momentary time period.
 - D** It is zero in the long run.