

24 There is an increase in indirect taxes.

What will be the impact on demand-pull inflation and on cost-push inflation?

	demand-pull inflation	cost-push inflation
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

25 The table shows the number of biscuits and cakes that can be produced by four workers in an hour.

	Laura	Mo	Nathan	Omar
biscuits	6	10	13	8
cakes	3	10	12	16

Who has the greatest comparative advantage in producing biscuits?

- A** Laura
- B** Mo
- C** Nathan
- D** Omar

26 Which condition is necessary for a country's balance of payments on its current account to improve if it reduced its exchange rate?

- A** Both the price elasticities of supply for its imports and its exports must be elastic.
- B** The importing country will buy all the excess supplies of its trading partner to clear the market.
- C** The sum of the price elasticities of domestic demand for imports and the foreign demand for exports must be greater than one.
- D** The trading partners need to agree on the maximum prices to be charged for imports and exports.