

- 18 A government allows one firm to go out of business, takes over a second firm, and encourages a foreign government to invest heavily in a third firm.

Which government action has occurred?

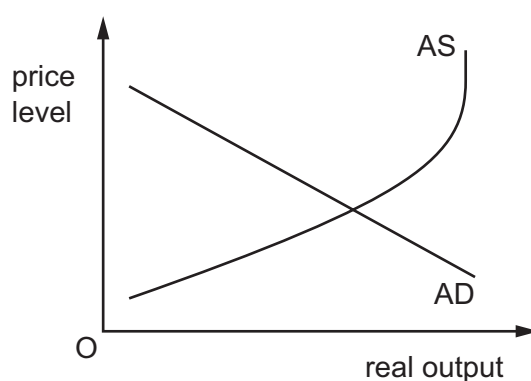
	nationalisation	privatisation
A	✓	✓
B	✓	✗
C	✗	✓
D	✗	✗

key

✓ = occurred

✗ = not occurred

- 19 What is both a valid statement and consistent with the features of the diagram?



- A** AS cannot be increased beyond some level of real output.
- B** Consumption is a component of AD and is lower when the general level of prices is lower.
- C** Investment is a component of AS and is independent of the general level of prices.
- D** The greater the demand for a country's exports, the lower will be AD.
- 20 The average consumer divides his expenditure between food, clothing, accommodation and transport in the ratio 2 : 1 : 4 : 3.

During the course of a year, the price of food falls by 2%, the price of clothing increases by 4%, the price of accommodation increases by 10% and the price of transport remains constant.

Assuming that the weights of a price index reflect the expenditure of the average consumer, what is the increase in the index over the year?

- A** 2.5% **B** 4% **C** 10% **D** 12%