

- 1 Which statement is the most valid reason for government intervention in a free market economy?
- A Consumers are well informed, making it difficult for producers to make profits.
 - B Health and education are not available in sufficient quantities.
 - C Producers are motivated only by profit.
 - D There are many competitive firms and not enough sole suppliers.
- 2 What would **not** be considered a barter transaction?
- A a car repairer undertaking the annual service on a plumber's van in return for the plumber fitting a new sink in the car repairer's kitchen
 - B a consumer negotiating with a shopkeeper and buying a pair of trousers at US\$10 rather than the asking price of US\$30
 - C a graduate student exchanging a set of textbooks for a radio with a student about to start the course
 - D a train company allowing a phone company to advertise on its trains in return for the right to advertise on the phone company's website
- 3 A factory introduces an automated production line to take advantage of division of labour.
- What is most likely to increase?
- A average cost of production
 - B job satisfaction of workers
 - C range of skills of each worker
 - D worker productivity
- 4 Which statement is normative?
- A A minimum wage is the correct government policy to increase the incomes of the lowest paid workers.
 - B A minimum wage is the lowest amount that employers can legally pay their workers.
 - C In Pakistan, a minimum wage of 15000 Pakistani Rupees per month was set on 1 June 2016.
 - D Setting the minimum wage rate above the equilibrium will result in an excess supply of workers.