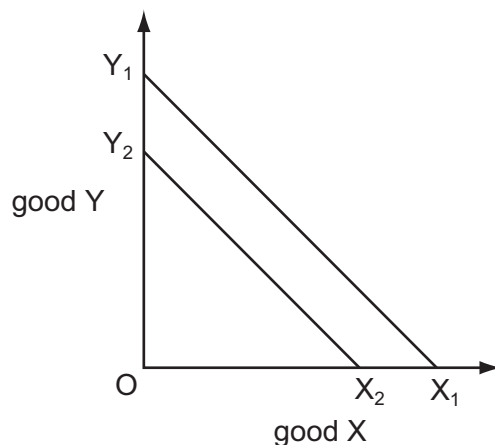


- 1 Tom has set up his own business, which is based in premises owned by Fanda. All machinery is hired from an equipment company. Both Tom and Fanda are employed in the business.

What describes the earnings of Tom and Fanda?

	Tom	Fanda
A	rent and profit	interest and profit
B	wages and profit	wages and rent
C	interest and rent	rent and profit
D	wages and interest	wages and interest

- 2 The diagram illustrates the production possibility curves for an economy in Year 1 (X_1 Y_1) and Year 2 (X_2 Y_2).



What can be concluded from the diagram?

- A** The cost of production was lower in Year 2 than in Year 1.
- B** The full employment level of output was lower in Year 2 than in Year 1.
- C** The opportunity cost of production was lower in Year 2 than in Year 1.
- D** Unemployment rose between Year 1 and Year 2.
- 3 What does the concept of ceteris paribus allow economists to do?
- A** calculate the monetary value of consumer surplus
- B** distinguish between economic and free goods
- C** distinguish between normative and positive statements
- D** isolate the effect of one variable on another variable