

- 25** A resident of country X buys shares in a firm in country Y. The shares then pay the resident a dividend.

Where are these two flows recorded in country X's balance of payments?

	purchase	dividend
A	capital account	primary income (income)
B	capital account	secondary income (current transfers)
C	financial account	primary income (income)
D	financial account	secondary income (current transfers)

- 26** What is the most likely cause of cost-push inflation in an economy?

- A** an increase in the exchange rate
- B** an increase in the money supply
- C** an increase in the prices of imports
- D** an increase in the rate of income tax

- 27** Which changes are most likely to reduce the accuracy of the consumer prices index (CPI) as a measurement of inflation?

- A** A larger sample is used in the household spending survey.
- B** Technology makes it easier for retailers to submit accurate monthly price data.
- C** Households change their spending habits.
- D** The weightings attached to the basket of goods are reviewed more often.

- 28** A government reduces the rate of direct income tax and devalues its currency.

Which row describes the policy effects of these decisions?

	fiscal policy	monetary policy	supply-side policy
A	contractionary	expansionary	contractionary
B	expansionary	contractionary	expansionary
C	expansionary	expansionary	contractionary
D	expansionary	expansionary	expansionary