

- 18 A government imposes an income tax on individuals. The first \$100 000 of earned income is taxed at a rate of 20%, and all further earned income above \$100 000 is taxed at a marginal rate of 50%.

Which statement is **not** valid?

- A The average income tax rate is 20% at an income of \$80 000 and 35% at an income of \$200 000.
  - B The tax is a direct tax for incomes above \$100 000.
  - C The tax is a proportional tax for incomes between \$20 000 and \$40 000.
  - D The tax is regressive when incomes change from below to above \$100 000.
- 19 Agricultural economies have faced a deterioration in their terms of trade.

What might have contributed to this?

- A falling exchange rates of agricultural economies
  - B falling productivity in agricultural production
  - C increasing productivity in manufacturing economies
  - D the high income elasticity of demand for foodstuffs
- 20 The table shows the output of rice and cotton for countries X and Y.

	units of output of rice per year	units of output of cotton per year
country X	5000	5000
country Y	4000	2000

Each country divides its resources equally between the production of rice and cotton.

Based upon the law of comparative advantage, which statement is correct?

- A Country X has the higher opportunity cost in producing cotton.
- B Country Y has the lower opportunity cost in producing rice.
- C Country X should produce both goods as the opportunity cost is the same.
- D Country Y should produce both goods as it has an absolute advantage in both.