

24 If a country is experiencing a period of high inflation, which groups will benefit the most from this?

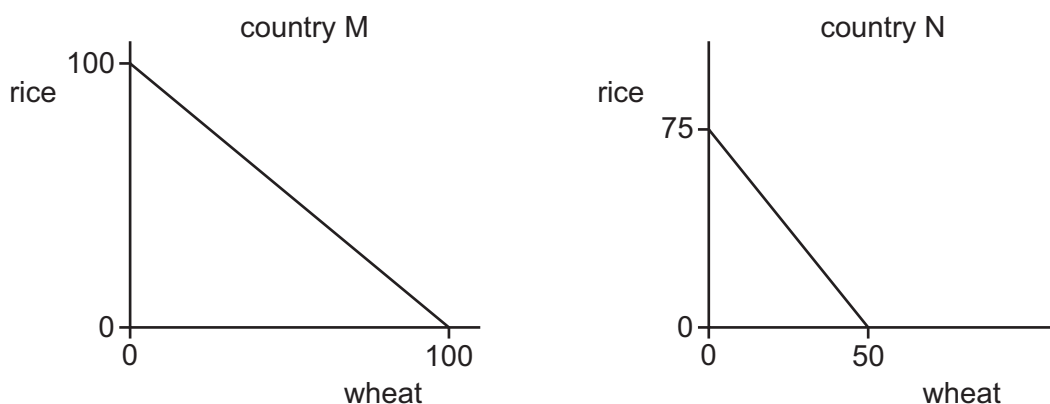
	companies that export the majority of their output	fixed income earners	those with high debts
A	yes	yes	no
B	no	yes	yes
C	yes	no	no
D	no	no	yes

25 What will definitely change a country's terms of trade?

- 1 when the price of imported raw materials increases
- 2 a change in inflation rates
- 3 an appreciation of the exchange rate

A 1, 2 and 3 **B** 1 and 2 only **C** 1 and 3 only **D** 2 and 3 only

26 The world consists of two countries, M and N. The graphs show their production possibilities for wheat and rice.



Countries M and N operate on their production possibility curves and, before specialisation, country M produces 60 units of wheat and country N produces 30 units of wheat.

What will be the change in the world output of **rice** if both countries decide to specialise according to comparative advantage?

- A** It will fall by 5 units.
- B** It will fall by 30 units.
- C** It will rise by 5 units.
- D** It will rise by 30 units.