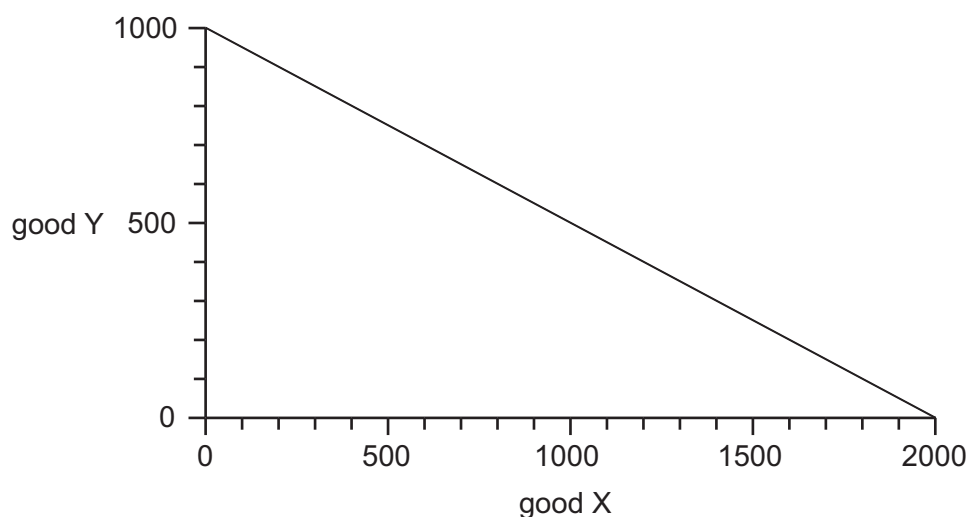


- 1 What is the opportunity cost to a fully employed economy of increasing capital investment?
- A** a fall in consumption
 - B** a fall in income
 - C** a rise in saving
 - D** a rise in the rate of interest

- 2 The diagram shows a production possibility curve for an economy which produces only two goods, X and Y.



The economy produces 400 of good Y and produces on its production possibility curve.

Which quantity of good X is given up?

- A** 600 **B** 800 **C** 1200 **D** 1600
- 3 Which group may be disadvantaged by the introduction of division of labour?
- A** consumers who prefer standardised goods
 - B** companies where the production process has many sub-divisions
 - C** the government, if the product is taxed
 - D** workers who prefer a variety of tasks
- 4 What is an advantage of using the market mechanism to allocate resources between alternative uses?
- A** It ensures that resources will be allocated efficiently.
 - B** It ensures that resources are allocated in accordance with need.
 - C** It minimises the time required to make decisions.
 - D** It gives all consumers an equal voice in deciding how resources should be allocated.