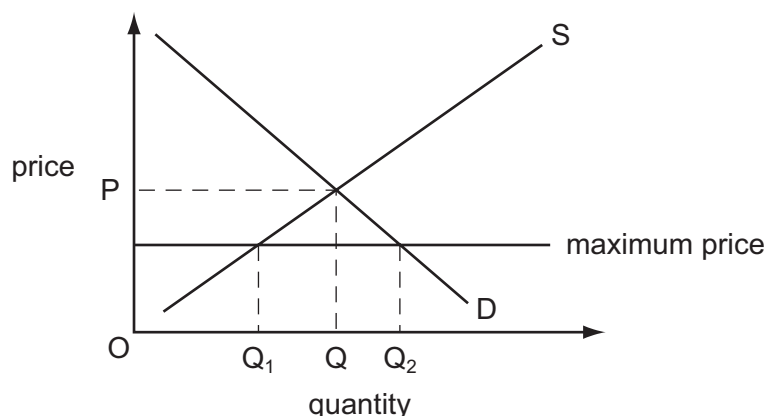


12 The diagram shows a market subject to a maximum price.



What will happen if the maximum price is removed?

- A There will be allocation by a queuing system.
 - B There will be allocation by government rationing.
 - C There will be allocation by seller's preference.
 - D There will be allocation by the price system.
- 13 What is **not** correct when price acts as a means to allocate resources?
- A Price determines the supply of public goods.
 - B Price operates in the markets for both goods and factors of production.
 - C Price recognises consumers' ability to pay rather than consumers' needs.
 - D Price signals to producers which goods are most profitable.
- 14 What is an external cost of building new houses in a city centre?
- A the cost of compensating residents for mud on local roads
 - B the cost of city centre traffic congestion resulting from the building
 - C the cost of obtaining planning permission
 - D the cost of painting the outside of the new houses
- 15 What is an advantage of using cost-benefit analysis in decision-making rather than using only private costs and private benefits?
- A It does not require detailed calculations.
 - B It is easier to calculate social costs than private costs.
 - C It speeds up the decision-making process.
 - D It takes into account a wider range of effects.