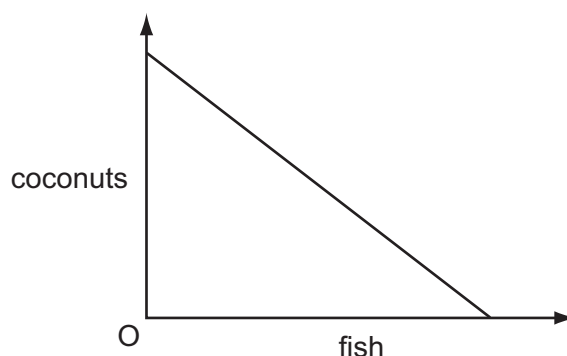


- 1 Which type of firm is able to exploit division of labour to the greatest extent?
- A a bakery employing two workers making a range of bread and cakes
 - B a motorcycle assembler employing two hundred workers making a standardised model
 - C a tailor employing ten workers making men's suits to order
 - D a well established furniture maker employing three hundred workers making high quality individual items
- 2 The diagram shows the production possibility frontier of a desert island economy where the inhabitants live off just two commodities, coconuts and fish.



What explains the shape of the production possibility frontier?

- A Coconuts and fish are perfect complements.
 - B Coconuts and fish are perfect substitutes.
 - C Fishing and coconut growing are equally efficient.
 - D The opportunity cost of fish increases as more time is devoted to fishing.
- 3 India is failing to reach its full economic potential because of poor rail, road and electricity infrastructure. Its problem is not lack of government spending but a lack of skilled civil engineers.

Which factors of production need to be increased?

- A capital and land
- B enterprise and labour
- C labour and capital
- D land and enterprise