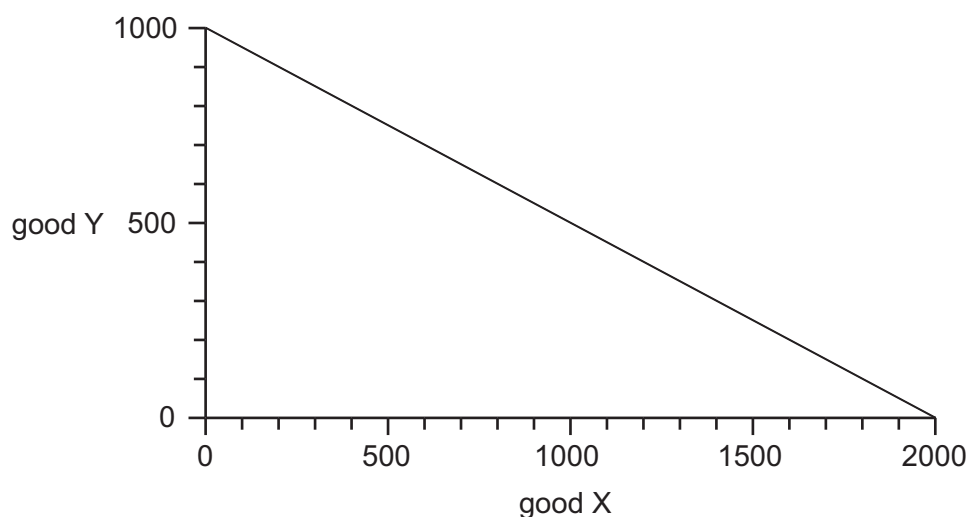


- 1 What is the opportunity cost to a fully employed economy of increasing capital investment?
- A a fall in consumption
  - B a fall in income
  - C a rise in saving
  - D a rise in the rate of interest

- 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.