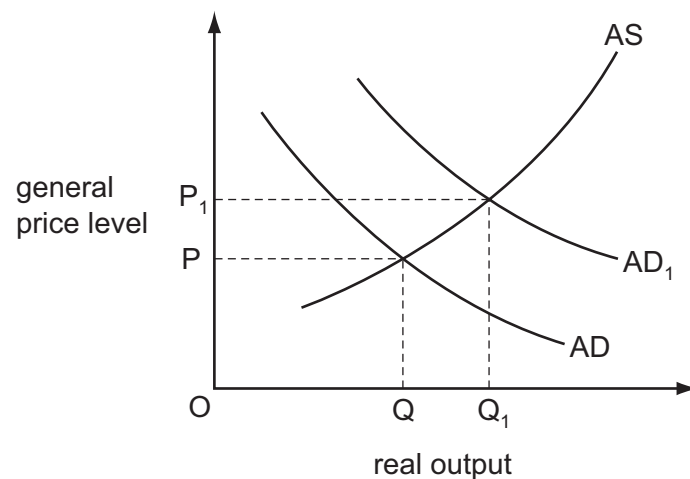


- 24 The diagram illustrates what happens to aggregate demand (AD) and aggregate supply (AS) in an economy during a year.



What explains the rise in the general price level?

- A boom in consumer spending
 - B higher taxes on company profits
 - C reduction in government-financed projects
 - D rising costs of raw materials
- 25 What would increase both demand-pull and cost-push inflation?
- A an appreciation of a country's currency
 - B an increase in the cost of borrowing
 - C an increase in the level of its import tariffs
 - D an increase in the price of oil
- 26 A UK resident buys shares in a Spanish company.

What will be the immediate and subsequent effects on the UK's balance of payments?

	immediate effect on financial account	subsequent effect on current account
A	credit	credit
B	credit	debit
C	debit	credit
D	debit	debit