

- 4 Which change in the way resources are allocated in an economy is consistent with moving from a planned economy to a market economy?
- A A minimum price guarantee for apple producers is removed.
 - B A new government authority is established to monitor inefficiencies in apple production.
 - C The production of apples is subsidised to increase output.
 - D The sale of apples has a maximum price imposed.
- 5 In which circumstance will the total expenditure by consumers on a good increase when its price increases?
- A Demand for the good is income elastic.
 - B Demand for the good is price inelastic.
 - C The price of a complementary good also increases.
 - D The price of substitute goods also increases.
- 6 When will a manufacturer's ability to increase the quantity supplied in the short run be greater?
- A when labour is immobile
 - B when spare capacity exists
 - C when the product is perishable
 - D when unemployment is low

- 7 The diagram shows the market for strawberries. The original equilibrium position is X.

What will be the new position following the failure of strawberries to ripen and a fall in the price of cream (a complement to strawberries)?

