

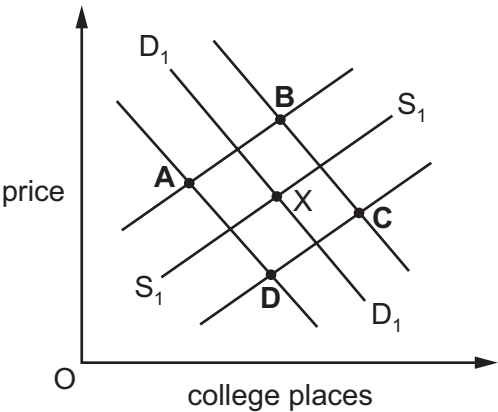
- 15 A simple income tax system would be one in which income under \$10 000 is not taxed. Above \$10 000 an income tax rate of 30% is applied to all additional income.

What is correct for people earning more than \$10 000?

	average rate of tax	marginal rate of tax
<b>A</b>	increases as incomes increase	increases as incomes increase
<b>B</b>	increases as incomes increase	remains constant as incomes increase
<b>C</b>	remains constant as incomes increase	increases as incomes increase
<b>D</b>	remains constant as incomes increase	remains constant as incomes increase

- 16 The diagram shows possible demand and supply curves for places in colleges in a country. The initial equilibrium position is X. To increase the number of students in colleges, a government subsidises the colleges and also gives a grant of money to the students.

What would be the new equilibrium position?



- 17 Which term is given to an income received by an individual for which there is no corresponding contribution to output?
- A** profit
- B** revenue
- C** salary
- D** transfer payment
- 18 A government's budget deficit was reduced.

What might have caused this?

- A** a decrease in the revenue from vehicle tax
- B** an increase in the rate of subsidy given to libraries
- C** a purchase of two warships for the national defence
- D** a sale of a publicly owned energy company to the private sector