

- 1** What is a function of money?
- A** to act as a medium of exchange
  - B** to be divisible into small units
  - C** to enable bartering to take place
  - D** to maintain its value when inflation is high
- 2** In a planned economy, what will determine the allocation of scarce resources?
- A** a mixture of private and central decision making
  - B** the decisions of central government
  - C** the forces of demand and supply
  - D** the revenue generated from direct and indirect taxes
- 3** A key concept in classifying goods is whether a good is rival or non-rival.
- Which good is rival in consumption?
- A** an ice cream
  - B** street lighting
  - C** a radio broadcast
  - D** the internet
- 4** What is a normative statement?
- A** A firm receiving a government subsidy will increase the supply of a good.
  - B** Negative externalities are the most serious market failure.
  - C** A rise in incomes will lead to a rise in demand for normal goods.
  - D** A rise in the additional rate of income tax will decrease the incentive to work.