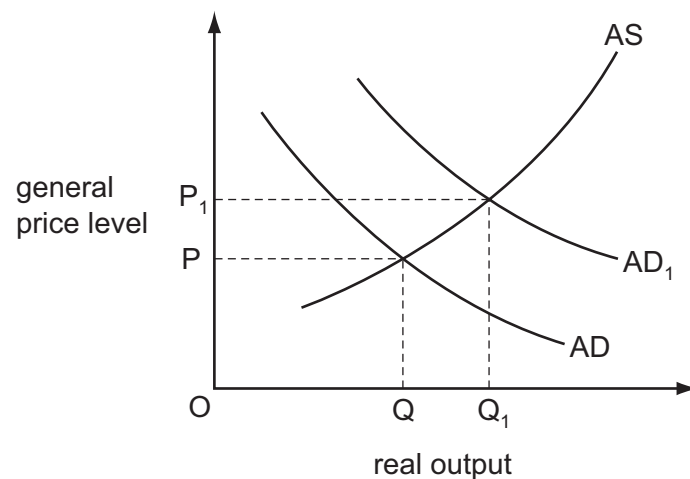


- 24** The diagram illustrates what happens to aggregate demand (AD) and aggregate supply (AS) in an economy during a year.



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
<b>A</b>	credit	credit
<b>B</b>	credit	debit
<b>C</b>	debit	credit
<b>D</b>	debit	debit