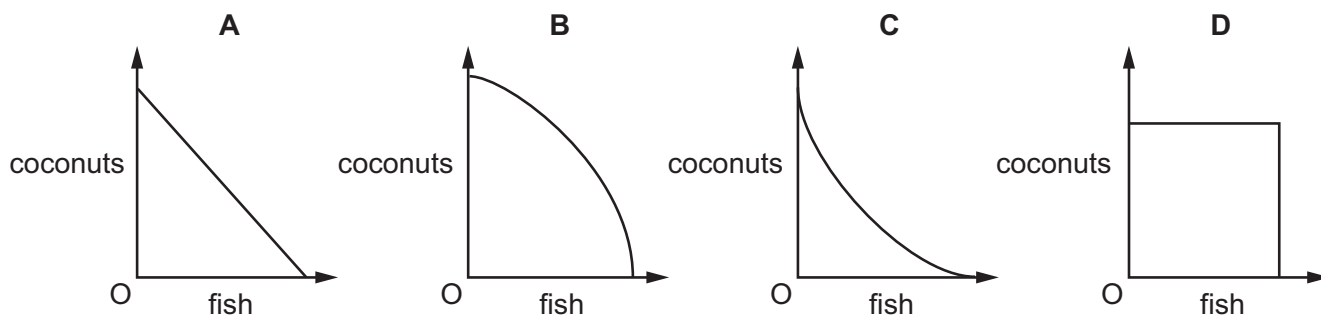


1 Which combination of events must increase the level of scarcity in an economy?

- A discovery of new oil reserves and higher saving ratios
- B improved application of technology and new invention
- C less certain weather patterns and a fashion for greater consumption
- D more efficient power generation and a reduced birth rate

2 Some people are shipwrecked on a tropical island and allocate their time between gathering coconuts and fishing. Each individual is equally productive in collecting coconuts or catching fish.

Which diagram represents the production possibility curve of this community?



3 Which characteristic of money is most essential if it is to serve effectively as a store of value?

- A divisibility
- B liquidity
- C portability
- D scarcity

4 A worker can make 10 hats or 5 pairs of shoes in a day. In the market, three hats can be sold at the same price as two pairs of shoes.

The worker should make

- A hats only.
- B shoes only.
- C 4 hats and 3 pairs of shoes daily.
- D 6 hats and 2 pairs of shoes daily.