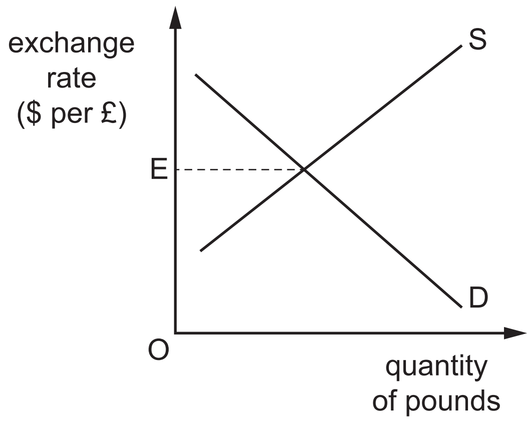
24 The diagram shows the determination of the floating exchange rate between the US$ and the UK£. D is the demand curve for pounds and S is the supply curve for pounds. The initial equilibrium exchange rate is E.



Which change might cause an increase in the UK exchange rate?

A a switch by US consumers from chocolate produced in the UK to chocolate produced in the US

B a switch in the destination of UK tourists from Africa to the US

C a wheat crop failure in the UK leading to increased wheat imports from the US

D increased investment by US residents in financial and real assets in the UK

25 The table shows the ability of two countries, P and Q, to produce two goods, Y and Z.

	production of good Y per person	production of good Z per person
country P	1000	1600
country Q	1500	2000

Which statement is correct?

A P has an absolute advantage in Z and Q has a comparative advantage in Y.

B P has an absolute advantage in Z and Q has an absolute advantage in Y.

C P has a comparative advantage in Y and Q has an absolute advantage in Z.

D P has a comparative advantage in Z and Q has an absolute advantage in Y.