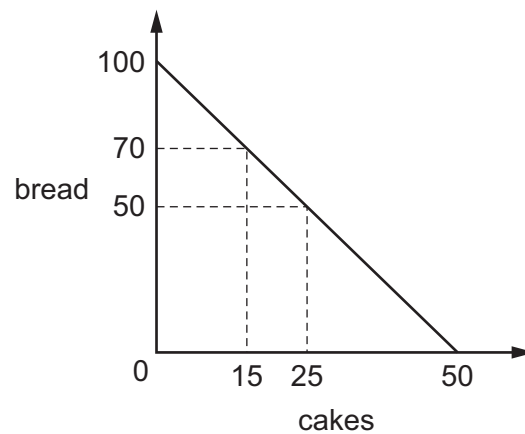


- 1 The diagram shows different production possibilities for a bakery.



They wish to increase production of cakes from 15 units to 25 units.

What is the opportunity cost?

- A 10 units of cake
 - B 15 units of cake
 - C 20 units of bread
 - D 50 units of bread
- 2 Which statement is the most valid reason for government intervention in a free market economy?
- A Consumers are well informed, making it difficult for producers to make profits.
 - B Health and education are not available in sufficient quantities.
 - C Producers are motivated by profit maximisation.
 - D There are many competitive firms and not enough sole suppliers.