

- 4 Eastern European nations have changed from planned to market economies.

Which policy was **least** likely to have been adopted?

- A allowing prices to fluctuate
- B keeping established economic organisations
- C privatising essential industries
- D permitting changes in the money supply

- 5 Rice and pasta are both basic foods in a country.

How would a health scare concerning rice affect the market for pasta?

- A There will be a shift of demand and a contraction of supply.
- B There will be a shift of demand and an extension of supply.
- C There will be a shift of supply and a contraction of demand.
- D There will be a shift of supply and an extension of demand.

- 6 Some goods are over-consumed in a market economy.

What is likely to be the cause of this?

- A Consumer surplus exceeds producer surplus.
- B Consumers undervalue the benefits of consuming the goods.
- C There is excess supply in the market for the goods.
- D There is imperfect information in the market.

- 7 A family is willing to pay a maximum of \$600, \$500 and \$400 for air tickets for the mother, father and daughter to attend a wedding in another city. The airline announces a promotional air fare of \$450 per ticket, provided at least three tickets are purchased.

What will be the consumer surplus gained by the family if they use the promotional offer?

- A \$100 B \$150 C \$200 D \$250

- 8 After a 10% decrease in a consumer's income, the consumer's demand for a good rises from 100 to 105.

What is the value of the consumer's income elasticity of demand for this good?

- A -2.0 B -0.5 C +0.5 D +2.0