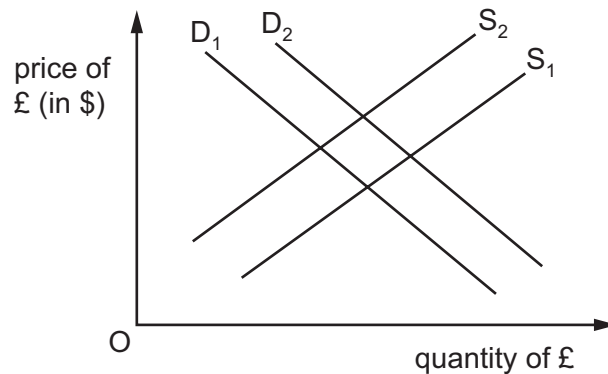


- 24** In the diagram D_1 and S_1 are the initial supply and demand curves of the pound sterling (£) on the foreign exchange markets.



What will cause the demand curve to shift to D_2 and the supply curve to S_2 ?

- A** a depreciation of the pound sterling
 - B** a decrease in UK interest rates
 - C** an increase in the price levels of other countries
 - D** an increase in the level of UK import tariffs
- 25** A country's terms of trade currently stands at 150 (base year 2000 = 100).
Since 2000 the average price the country has received for its exports has increased by 20%.
What has been the change in the average price it has paid for its imports?
- A** -25%
 - B** -20%
 - C** +20%
 - D** +25%
- 26** 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	1800	2800
country Q	1500	2000

Which statement is correct?

- A** P has an absolute advantage in Y and Q has an absolute advantage in Z.
- B** P has an absolute advantage in Z and Q has a comparative advantage in Y.
- C** P has a comparative advantage in Y and Q has a comparative advantage in Z.
- D** P has a comparative advantage in Z and Q has an absolute advantage in Y.