

- 14** A government regards alcoholic drinks as a demerit good and introduces a minimum price above the equilibrium in an attempt to protect consumers. Demand for alcoholic drinks is price inelastic.

What is the most likely outcome?

- A** a fall in the revenue of alcoholic drink producers
- B** a fall in the quantity of alcoholic drink sales
- C** a long-run shortage of alcoholic drinks
- D** an increase in specific tax revenue from the sale of alcoholic drinks

- 15** A government subsidy of \$50 per unit is paid to manufacturers of solar panels.

What will be the impact of this?

- A** It will guarantee equilibrium in the solar panel market.
- B** It will maintain high market prices.
- C** It will reduce total production costs.
- D** It will stabilise levels of output.

- 16** Why might a government privatise the railway industry in a country?

- A** Economists classify railway journeys as a public good.
- B** Privatisation would provide funds for investment from a wider range of sources.
- C** Privatised railways would be run to maximise producer surplus.
- D** Railway fares can be taxed to raise money for the government only if railways are privatised.

- 17** Which tax is levied on a stock of wealth rather than a flow of income?

- A** company profits tax
- B** goods and services (expenditure) tax
- C** individual direct tax
- D** personal asset tax

- 18** What is classified as a transfer payment?

- A** money paid as a gift to a charity
- B** money paid as a tip to a waiter
- C** money paid as commission to a salesperson
- D** money paid for an imported good