Q1.

In China the government is concerned about the level of poverty and the need for more resources in the poorer regions of the country. As a result, it is increasing its expenditure there and reducing it in the wealthier regions. Which economic concept does this government policy illustrate best?

　　A diseconomies of scale

　　B market forces

　　C opportunity cost

　　D specialisation

Q2.

A musician has a choice of playing for an orchestra in either Germany or England. Which combination of incomes and cost of living is most likely to cause her to choose the German orchestra?

	Incomes and cost of living in Germany compared with those in England		
	pre-tax (gross) income	after-tax (net) income	cost of living
A	higher	higher	higher
B	higher	lower	lower
C	lower	higher	higher
D	lower	higher	lower

　　A higher higher higher

　　B higher lower lower

　　C lower higher higher

　　D lower higher lower

Q3.

A student has nothing to do on a Friday evening. She withdraws $5 from the $100 she has in a savings account and buys a present to take to a party, to which admission is free. What does this involve?

    A an opportunity cost equal to $95

    B an opportunity cost equal to other goods she could have bought for $5

    C no opportunity cost, as entrance to the party is free

    D no opportunity cost, as she had no better way of using the time

Q4.

A company decided to reduce the price of its product by 10%. What would happen?

    A The firm's costs would decrease if the elasticity of demand was greater than one.

    B The firm's profits would increase if the elasticity of demand was greater than one.

    C The firm's revenue would increase if the elasticity of demand was greater than one.

    D The quantity sold would decrease if the elasticity of demand was less than one.

Q5.

A government decides to make two changes to its taxation policies. It lowers the tax on petrol and raises the tax on food. How do these changes affect the regressive nature of the taxes?

	lower petrol tax	higher food tax
A	less regressive	less regressive
B	less regressive	more regressive
C	more regressive	less regressive
D	more regressive	more regressive

    A A

    B B

    C C

    D D